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**STANDING COMMITTEE ON CHEMICALS & FERTILIZERS
(2021-22)**

SEVENTEENTH LOK SABHA

MINISTRY OF CHEMICALS AND FERTILIZERS

(DEPARTMENT OF FERTILIZERS)

[Action Taken by the Government on the Observations/ Recommendations of the Committee contained in their Twentieth Report (Seventeenth Lok Sabha) on 'Demands for Grants (2021-22)' of the Ministry of Chemical and Fertilizers (Department of Fertilizers)]

TWENTY FIFTH REPORT



**LOK SABHA SECRETARIAT
NEW DELHI**

DECEMBER, 2021 / AGRAHAYANA, 1943 (SAKA)

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Presented to Lok Sabha on 02.12.2021

Laid in Rajya Sabha on 02.12.2021



**LOK SABHA SECRETARIAT
NEW DELHI**

DECEMBER, 2021 / AGRAHAYANA, 1943 (SAKA)

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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 Baij
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	Shri Prabhubhai Nagarbhai Vasava
20	Dr. Sanjeev Kumar Singari#
21	Vacant*

RAJYA SABHA

22	Shri G.C.Chandrashekhar
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	-	Officer on Special Duty
2.	Shri Nabin Kumar Jha	-	Director
3.	Shri C. Kalyanasundaram	-	Additional Director
4.	Shri Panna Lal	-	Under Secretary
5.	Shri P.R. Siva Prasad	-	Assistant Committee Officer

\$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.

**Vacant vice Shri Er. Bishweswar Tudu nominated MoS on 07.07.2021.*

**COMPOSITION OF THE STANDING COMMITTEE ON CHEMICALS & FERTILIZERS
(2021-22)**

Smt. Kanimozhi Karunanidhi - Chairperson

**MEMBERS
LOK SABHA**

2. Shri Dibyendu Adhikari
3. Maulana Badruddin Ajmal
4. Shri Deepak Bajj
5. Shri Ramakant Bhargava
6. Shri Prataprao Patil Chikhlikar
7. Shri Rajeshbhai Naranbhai Chudasama
8. Shri Sanjay Shamrao Dhotre
9. Shri Ramesh Chandappa Jigajinagi
10. Shri Kripanath Mallah
11. Shri Vasava Prabhubhai Nagarbhai
12. Shri Satyadev Pachauri
13. Smt Aparupa Poddar (Afrin Ali)
14. Dr. M.K.Vishnu Prasad
15. Shri Arun Kumar Sagar
16. Shri M. Selvaraj
17. Dr. Sanjeev Kumar Singari
18. Shri Atul Kumar Singh
19. Shri Pradeep Kumar Singh
20. Shri Uday Pratap Singh
21. Shri Indra Hang Subba

RAJYA SABHA

22. Shri Ayodhya Rami Reddy Alla
23. Shri G.C.Chandrashekhar
24. Dr. Anil Jain
25. Shri M.V. Shreyams Kumar
26. Shri Jaiprakash Nishad
27. Shri Anthiyur P. Selvarasu
28. Shri Arun Singh
29. Shri Vijay Pal Singh Tomar
30. Shri K. Vanlalvena
31. Vacant

SECRETARIAT

1. Shri N.K. Jha - Director
2. Shri C. Kalyanasundaram - Additional Director
3. Shri Panna Lal - Under Secretary
4. Shri P.R. Siva Prasad - Assistant Committee Officer

INTRODUCTION

I, the Chairperson, Standing Committee on Chemicals and Fertilizers (2021-22) having been authorised by the Committee to submit the Report on their behalf, present this Twenty Fifth Report (Seventeenth Lok Sabha) on Action Taken by the Government on the observations/ recommendations contained in the Twentieth Report (Seventeenth Lok Sabha) of the Standing Committee on Chemicals & Fertilizers (2020-21) on 'Demand for Grants (2021-22)' pertaining to the Ministry of Chemicals and Fertilizers (Department of Fertilizers).

2. The Twentieth Report (Seventeenth Lok Sabha) of the Standing Committee on Chemicals & Fertilizers was presented to Lok Sabha on 17.3.2021 and laid in Rajya Sabha on 17.3.2021. The Action Taken replies of Government to all observations/ recommendations contained in the Report were received on 23.07.2021. The Standing Committee on Chemicals & Fertilizers (2021-22) considered and adopted this Report at their sitting held on 16th November 2021.

3. An analysis of the Action Taken by the Government on the observations/recommendations contained in the Twentieth Report (Seventeenth Lok Sabha) of the Committee is given in **Appendix-II**.

4. For facility of reference and convenience, the further comments of the Committee have been printed in bold letters in **Chapter-I** of the Report.

New Delhi,
16 November, 2021
25 Kartika, 1943 (Saka)

KANIMOZHI KARUNANIDHI
Chairperson,
Standing Committee on
Chemicals and Fertilizers.

REPORT
CHAPTER I

This Report of the Standing Committee on Chemicals & Fertilizers (2021-22) deals with the action taken by the Government on the Observations / Recommendations contained in the Twentieth Report (17th Lok Sabha) of the Standing Committee on Chemicals & Fertilizers on Demands for Grants (2021-22) of the Ministry of Chemicals and Fertilizers (Department of Fertilizers) which was presented to Lok Sabha and laid in Rajya Sabha on 17.3.2021. In all, the Committee made 14 Observations/Recommendations in the Report.

1.2 The Ministry of Chemicals & Fertilizers (Department of Fertilizers) were requested to furnish Action Taken Replies to the Observations/ Recommendations contained in the Twentieth Report within three months from the date of presentation of the Report, i.e. by 17.06.2021. The Action Taken Replies of the Government in respect of all the 14 Observations / Recommendations contained in the Report were received from the Ministry of Chemicals and Fertilizers (Department of Fertilizers) vide their O.M. No.14(5)/2021-Fin-I dated 23.07.2021. These Replies have been examined and categorized as follows:-

- (i) Observations/Recommendations that have been accepted by the Government:-
Rec. Nos. 1, 9, 11 & 12 (Total = 4)
Included in Chapter-II of the Report
- (ii) Observations/Recommendations which the Committee do not desire to pursue in view of the Government's reply:-
Rec. No. Nil. (Total = Nil)
Included in Chapter-III of the Report
- (iii) Observations/Recommendations in respect of which the replies given by the Government are not acceptable to the Committee:-
Rec. Nos. 2 & 13 (Total = 2)
Included in Chapter-IV of the Report
- (iv) Observations/Recommendations in respect of which final replies of the Government are still awaited-
Rec. Nos. 3, 4, 5, 6, 7, 8, 10 & 14 (Total = 8)

1.3 The Committee desire that the Action Taken Notes on further comments/ recommendations contained in Chapter-I and Chapter-V of this Report should be furnished expeditiously and not later than three months from the date of presentation of the Report.

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

Recommendation No. 1

Enhanced Budgetary allocation at RE 2020-21 to Department of Fertilizers

1.5 Stressing the need to swiftly utilize the entire RE allocation of 2020-21 to payout the carryover liabilities of subsidy schemes of the Department by the end of financial year 2020-21, the Committee recommended as under:-

“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.”

REPLY OF THE GOVERNMENT

1.6 In their action taken reply to the afore-mentioned recommendation of the Committee, the Ministry of Chemicals and Fertilizers, Department of Fertilizers has stated as under:-

“The settlement of subsidy / DBT claims of fertilizer companies are being done regularly subject to availability of funds. The details complete information regarding utilization of funds allocated at RE 2020-21 and status of Carryover liability (2019-20) in r/o Indigenous Urea is as under:

Funds Status of 2020-21			Carryover liabilities status		
BE	RE	Expenditure	Carryover liability as on 01.04.2020	Carryover liability paid during 2020-21	Balance Carryover liabilities as on 31.03.2021
38375.00	74487.80	68807.41	32154.87	32154.87	NIL

Other Schemes:

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 is as given below;

(Rs.in Crores)					
Sl.No.	Scheme	RE2020-21	Utilization	Balance	Carry-over liabilities as on 01.04.2021
1	2	3	4	5=3-4	6
1	Imported Urea	25049.62	25049.62	0	546.98
2	Indigenous P&K	23901.53	22288.37	1613.16	0.85*
3	Imported P&K	15015.37	15015.37	0	479.21
4	City Compost	72.98	68.74	4.24	0.25*
Total		64039.5	62422.1	1617.4	1027.29

*Carryover liabilities in respect of Indigenous P&K and City Compost are because of claims received on the last day of the financial year.”

Further Comments of the Committee

1.7 The Committee are satisfied that the carry over liabilities in respect of indigenous urea have been completely met by the Department and as such the balance as on 01 April, 2021 was nil. However, the carry over liabilities to the tune of Rs.546.98 Crore and Rs.479.21 Crore for imported Urea and imported P & K fertilizers respectively still remain to be settled as on 01 April, 2021 in spite of full utilization of budgetary allocations under these schemes by the Department of Fertilizers. The Action Taken Reply furnished by the Department is silent on the reasons for the continuance of these carry over liabilities and the action being taken by it for settling the same. Moreover, the explanation given by the Department regarding carry over liabilities in respect of indigenous P&K fertilizers and City Compost that these are on account of claims being received on the last day of the financial year does not seem to be a tangible one. Since it is very much necessary to completely dismantle carry over liabilities in respect of both the indigenous and imported fertilizers, the Committee recommend that expeditious steps, including augmentation of budgetary allocation, should be taken by the Department of Fertilizers for settling the carry over liabilities of imported urea and indigenous and imported P & K fertilizers. The Department should also fix a strict timeline for the submission of subsidy/ Market Development Assistance (MDA) claims by fertilizer companies well before the last day of the financial year so as to completely utilize the budgetary allocation and to settle all the subsidy/MDA claims pertaining to a year before 31st March of every year. The Committee would like to be apprised of the action taken on the above recommendations.

Recommendation No. 2

Budgetary allocation in BE 2021-22 for the Department of Fertilizers

1.8 While emphasizing the need for strengthening its budgetary planning so as to get budgetary allocation in commensurate with requirements, timely and optimum utilization of funds allocated at BE stage and to put up timely proposal for the allocation of required funds at RE stage before the Ministry of Finance so as to eliminate the carry forward liabilities of subsidy schemes, the Committee recommended as under:-

“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.”

REPLY OF THE GOVERNMENT

1.9 In their action taken reply to the afore-mentioned recommendation of the Committee, the Ministry of Chemicals and Fertilizers, Department of Fertilizers has stated as under:-

“FICC had proposed the demand of Rs.61089.00 crores for Indigenous Urea for BE 2021-22, but only an amount of Rs.43236.28 crores have been allocated. The FICC has projected requirement of budget estimates taking into consideration of prevalent gas price and exchange rate. The requirement of Additional funds, if any, will be re-assessed at the time of Revised Estimates for 2021-22 and demanded at RE stage.”

Further Comments of the Committee

1.10 The Committee are not satisfied with the incomplete action taken reply furnished by the Ministry. The reply deals with only the budgetary requirements of indigenous urea and it is silent on the position regarding imported urea, indigenous and imported P & K fertilizers and the city compost. Moreover, it is also not clear whether the Department had sent the recommendation of the Committee to the Ministry of Finance to allocate the additional funds required by the Department of Fertilizers for the urea subsidy and NBS Schemes at RE stage of 2021-22. Since it is imperative that the Department of Fertilizers 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 reiterate the earlier recommendation and hope that a comprehensive reply would be provided by the Department on the same. Further, in case the Department had not conveyed the recommendation of the Committee to the Ministry of Finance, the same should be sent to that Ministry immediately for its compliance. Specific action taken reply should be furnished in this regard.

Recommendation No. 6

Initiatives to encourage Joint ventures Abroad for meeting the domestic requirement of P&K Fertilizers.

1.11 Keeping in view the near total dependency of the country on both the P&K fertilizers and their raw materials and the need for setting up of new Joint Venture projects in countries rich in fertilizer resources, the Committee recommended as under:-

“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.”

REPLY OF THE GOVERNMENT

1.12 In their action taken reply to the afore-mentioned recommendation of the Committee, the Ministry of Chemicals and Fertilizers, Department of Fertilizers has stated as under:-

“To strengthen the Overseas Acquisition of Raw Material by the Indian Fertilizer Companies and role of Government, NIAEPR (National Institute of Agriculture Economics and Policy Research) was awarded the Study for Framing Policy for Overseas Acquisition of Raw Material by the Indian Fertilizer Companies and Role of the Government. NIAEPR (National Institute of Agriculture Economics and Policy Research) has furnished its final report. Comments of JS (Gulf), JS (Eurasia) and JS (DPA-I) of MEA, FAI, NFL, RCF, IIFCO, CIL, Kribhco and GSFC have been obtained on that. On the basis of the Study report and comments of various organizations on that, Draft guidelines for Overseas Acquisition of Raw Material by the Indian Fertilizer Companies and role of Government has been prepared and under consideration.”

Further Comments of the Committee

1.13 The Committee note that the Department had awarded a Study for Framing Policy for Overseas Acquisition of Raw Material by the Indian Fertilizer Companies and Role of the Government to the National Institute of Agriculture Economics and Policy Research (NIAEPR). On the basis of Study Report of NIAEPR and the comments received from various organizations on the same, draft guidelines for overseas acquisition of fertilizers raw material by the Indian fertilizer companies are under consideration by the Department. Though the Committee appreciate the initiatives taken by the Department in this regard, it is constrained to note that the action taken reply furnished by the Department is silent about the other aspects of the earlier recommendation regarding establishment of Joint Ventures abroad for production facilities with buy back arrangements for supply of fertilizers and its raw materials and acquisition of mines in the resource rich countries. In this regard, the Committee reiterate the earlier recommendation for a comprehensive approach in the entire matter of Joint Ventures abroad, acquisition of mines and raw materials, etc and hope that a comprehensive reply would be furnished by the Department in the matter.

Recommendation No. 8

Need for Allocation of more funds to give impetus to the production of City Compost.

1.14 Stressing the need for allocation of more funds and removal of infrastructure and other bottlenecks to give impetus to the production of city compost by maximum utilization of bio-degradable city waste to meet the increasing demand of the farmers, the Committee recommended as under:-

“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%.”

Reply of the Government

1.15 In their action taken reply to the afore-mentioned recommendation of the Committee, the Ministry of Chemicals and Fertilizers, Department of Fertilizers has stated as under:-

1. “As on date, 14 States/UTs. i.e. Uttar Pradesh, Maharashtra, Mizoram, Nagaland, Odisha, Punjab, Tamil Nadu, Tripura, Chhattisgarh, Jammu & Kashmir, Andaman & Nicobar Islands, Himachal Pradesh, Meghalaya and Goa have constituted Steering Committee so far. States/UTs are being reminded from time to time for constitution of State Level Steering Committee. Through D.O. letters at Secretary level the concerned State Chief Secretaries have been requested for constitution of Steering Committee. Recently, a reminder was sent in June, 2021 this year to remaining States/UTs with the request to constitute the Committee.

2. Payment of Market Development Assistance (MDA) to compost marketer and compost manufacturers for sale of city compost are made as per the procedure laid down in guidelines dated 10.10.2016 and 9.1.2017 issued by Department of Fertilizers. Sometimes there are delays in receipt of requisite documents from compost marketer and manufacturers, insufficient budget allocation etc. which causes procedural delay in processing of payment. DAC&FW has informed that for augmenting the capacity of existing laboratories for testing of city compost, the States can avail the funds available under various schemes of DAC&FW. It has further been informed that States are, being encouraged in the zonal conferences to increase sample testing.

3. Inputs in respect of recommendation 8, Para 3 above was sought from Ministry of Housing and Urban Affairs. Reply is awaited from MoHUA.”

Further Comments of the Committee

1.16 The Committee note from the reply given by the Department of Fertilizers that twelve States and two Union Territories have so far constituted State Level Steering Committee for coordination and promotion of city compost. While noting the efforts being made by the Department, the Committee expect that the Department take up with the other States/UTs at Chief Secretary/Administrator level for the constitution of steering committee by all the States/UTs within a definite time frame.

1.17 The Committee note that sometimes there are delays in receipt of requisite documents from compost marketer and manufacturer, etc which causes procedural delay in processing of payment of Market Development Assistance for City Compost. In this regard, the Committee recommend that a strict timeline should be fixed by the Department for the submission of relevant documents by compost

marketer and manufacturers so as to ensure timely payment of MDA without any carry over liabilities.

1.18 The Committee are concerned to note that the reply furnished by the Department is silent on the recommendation regarding providing token incentives to the farmers for using appropriate proportion of city compost. Presently Market Development Assistance is being provided to compost marketing companies and manufacturers but the farmers who actually use the city compost are left out. Since providing incentives to farmers would encourage them use more city compost, the Committee reiterate the earlier recommendation and expect that the Department would furnish its specific action taken reply in this regard.

1.19 In regard to the observation of the Committee 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, the Committee note that inputs have been sought from Ministry of Housing and Urban Affairs. The Committee hope that the Department would pursue this matter with that Ministry for early reply and would take concrete steps for the implementation of the recommendation. Progress made in this regard may be intimated to the Committee.

Recommendation No.11

Promotion of Balanced use of fertilizers.

1.20 Highlighting the need for educating farmers about the balanced use of fertilizers as per the soil conditions/ cropping pattern and sale of fertilizers according to the recommendations of soil health card, the Committee recommended as under:-

“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 balanced 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 stake holders 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.”

Reply of the Government

1.21 In their action taken reply to the afore-mentioned recommendation of the Committee, the Ministry of Chemicals and Fertilizers, Department of Fertilizers has stated as under:-

“(i), (ii) & (iii) “Department of fertilizers has been taking necessary and sincere efforts for promoting balanced used of fertilizers. The Fertilizers application awareness programme (FAAP), which is a joint effort of DoF, DAC&FW and DARE is an important step towards it. The FAAP program envisaged to be held bi-annually i.e. before Kharif and Rabi Cropping season. The program is aimed to disseminate information about advantages of balanced used of fertilizers, latest practices to be adopted etc. Though, the program uses live telecast to disseminate such information/practices to farming community at pan-India level, in previous such FAAP program (2019), it was done with proper setup in ICAR building where the Hon’ble Ministers of concerned Ministries, along with senior officers, Scientists of ICAR to answer the queries of farmers and some farmers of nearby areas to represent farming community. Such setup led a huge gathering in ICAR building. In this pandemic time, it is not desirable to have such huge gatherings. Thus, though, the joint awareness programme is envisaged to be held before every Kharif and Rabi cropping season, it could not be held in 2020. However, the govt. is committed to inform the farming community about the advantages of balanced use of fertilizers. Through, Soil Health Card scheme, the Ministry of Agriculture is already taking necessary steps in this direction. As far as the recommendation for looking into the modalities whether it may be made mandatory to buy fertilizers according to the recommendations in Soil health Card, comments from DAC&FW have been already sought.”

Further Comments of the Committee

1.22 The Committee note that a Fertilizers Application Awareness Programme (FAAP), which is a joint effort of Department of Fertilizers, Department of Agriculture, Cooperation and Farmers Welfare (DAC&FW) and Department of Agricultural Research and Education(DARE) is envisaged to be held bi-annually i.e. before Kharif and Rabi Cropping season but it could not be held during 2020 due to COVID pandemic. In this regard, the Committee feel that this lone programme organized from New Delhi may not be sufficient to create the requisite level of awareness among farmers regarding balanced use of fertilizers. The Committee, therefore, reiterate the earlier recommendations that the 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 and 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. Specific replies to the above recommendations may be furnished to the Committee.

1.23 The Committee further note that the Department of Fertilizers has sought the comments of DAC&FW to decide whether it may be made mandatory to buy fertilizers according to the recommendations in Soil health Card. In this regard, the Committee desire that the comments of DAC&FW may be expedited and a decision in the matter may be taken at the earliest. The Committee would like to be apprised of the progress made in this regard.

Recommendation No.13

Promotion of Nano fertilizers.

1.24 Stressing the need for a separate budgetary allocation for the promotion of nano fertilizers so as to reduce the usage of chemical fertilizers in the country, the Committee recommended as under:-

“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.”

Reply of the Government

1.25 In their action taken reply to the afore-mentioned recommendation of the Committee, the Ministry of Chemicals and Fertilizers, Department of Fertilizers has stated as under:-

“It is the endeavor of the Government of India to encourage the innovations in the field of agriculture. However, the Department of Agriculture, Cooperation and Farmers Welfare has notified Nano Urea as Nano-Nitrogen fertilizers in Fertilizer (Control) Order, 1985. A notification under clause 20 D of the Fertilizer (inorganic, organic or mixed) Control Order, 1985 has been issued allowing IFFCO to manufacturer nano urea for a period of three years from the date of issue of notification. The Department of Fertilizers is promoting the policy on promotion of city compost under which budgetary allocation for payment of Market Development Assistance (MDA) to promote city compost has been made. At present there is no proposal in this Department for separate budgetary allocation for promotion of nano fertilizer.”

Further Comments of the Committee

1.26 The Committee note that the Department of Agriculture, Cooperation and Farmers Welfare has notified Nano Urea as Nano-Nitrogen fertilizers in Fertilizer (Control) Order, 1985. A notification has also been issued allowing IFFCO to manufacture nano urea for a period of three years from the date of issue of notification. However, at present there no proposal in the Department of Fertilizers for separate budgetary allocation for promotion of nano-fertilizers. Reply given by the Department is also silent on the specific recommendation of the Committee 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. Since nano fertilizer is cheaper than the chemical fertilizers and also it reduces the fertilizer usage by 50 per cent resulting in saving of lot of money, the Committee would like to reiterate this recommendation. Further, designing this Scheme appropriate budgetary outlay for the same should be made for the effective implementation of the scheme. Specific action taken reply should be furnished in regard to the above recommendation of the Committee.

CHAPTER – II

OBSERVATIONS/ RECOMMENDATIONS WHICH HAVE BEEN ACCEPTED BY THE GOVERNMENT

Recommendation No. 1

Enhanced Budgetary allocation at RE 2020-21 to Department of Fertilizers

2.1 “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.”

REPLY OF THE GOVERNMENT

2.2 In their action taken reply to the afore-mentioned recommendation of the Committee, the Ministry of Chemicals and Fertilizers, Department of Fertilizers has stated as under:-

“The settlement of subsidy / DBT claims of fertilizer companies are being done regularly subject to availability of funds. The details complete information regarding utilization of funds allocated at RE 2020-21 and status of Carryover liability (2019-20) in r/o Indigenous Urea is as under:

Funds Status of 2020-21			Carryover liabilities status		
BE	RE	Expenditure	Carryover liability as on 01.04.2020	Carryover liability paid during 2020-21	Balance Carryover liabilities as on 31.03.2021
38375.00	74487.80	68807.41	32154.87	32154.87	NIL

Other Schemes:

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 is as given below;

(Rs.in Crores)					
Sl.No.	Scheme	RE2020-21	Utilization	Balance	Carry-over liabilities as on 01.04.2021
1	2	3	4	5=3-4	6
1	Imported Urea	25049.62	25049.62	0	546.98
2	Indigenous P&K	23901.53	22288.37	1613.16	0.85*
3	Imported P&K	15015.37	15015.37	0	479.21
4	City Compost	72.98	68.74	4.24	0.25*
Total		64039.5	62422.1	1617.4	1027.29

*Carryover liabilities in respect of Indigenous P&K and City Compost are because of claims received on the last day of the financial year.”

COMMENTS OF THE COMMITTEE

(Please see Para No. 1.7 of Chapter- I of the Report)

Recommendation No. 9

Demand and Availability of Fertilizers.

2.3 “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.”

Reply of the Government

2.4 “As stated in earlier replies of the DoF, it is once again reiterated that the mandate of the Department is to ensure adequate and timely availability of all fertilizers at the state level. However, the movement of Fertilizers to the various districts in a state is within the mandate of respective State Governments.

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). 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 through the following system:

- (i) 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);
- (ii) 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.
- (iii) Regular Weekly Video Conference is conducted jointly by Department of Agriculture & Cooperation and Farmers Welfare (DAC&FW), Department of Fertilizers (DoF), and Ministry of Railways with State Agriculture Officials and corrective actions are taken to dispatch fertilizer as indicated by the State Governments.
- (iv) In case of urea, to bridge the gap between assessed requirement and indigenous production, the Steering Committee of Secretaries (SCOS) gives authorization to DoF for urea imports. In case of P&K fertilizers, the imports come under Open General License (OGL) where companies are free to import based on commercial judgments.

Department of Fertilizers is closely monitoring the availability of Fertilizers in all the states. Further, it is submitted that a new initiative has been made by the Department of Fertilizers i.e. introduction of Dashboard in which various detailed reports related to DoF and States. The same is also in public domain. Through this dashboard, Department of Fertilizers is ensuring the availability of stocks of all fertilizers at the Wholesalers and retailers. There is also Collector Dashboard, Company Dashboard and MarkFed Dashboard. Thus, with the steps as indicated above, Department of Fertilizers ensures availability of fertilizers in all the States. At present, there is no shortage of any fertilizers in the country.

Further, 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 advise the state governments to take the required steps so that the fertilizers is made available to the farmers at reasonable prices and to keep a strict check on malpractices such as black marketing and hoarding.”

Recommendation No.11

Promotion of Balanced use of fertilizers.

2.5 “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 stake holders 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.”

Reply of the Government

2.6 In their action taken reply to the afore-mentioned recommendation of the Committee, the Ministry of Chemicals and Fertilizers, Department of Fertilizers has stated as under:-

(i), (ii) & (iii) “Department of fertilizers has been taking necessary and sincere efforts for promoting balanced used of fertilizers. The Fertilizers application awareness programme (FAAP), which is a joint effort of DoF, DAC&FW and DARE is an important step towards it. The FAAP program envisaged to be held bi-annually i.e. before Kharif and Rabi Cropping season. The program is aimed to disseminate information about advantages of balanced used of fertilizers, latest practices to be adopted etc. Though, the program uses live telecast to disseminate such information/practices to farming community at pan-India level, in previous such FAAP program (2019), it was done with proper setup in ICAR building where the Hon’ble Ministers of concerned Ministries, along with senior officers, Scientists of ICAR to answer the queries of farmers and some farmers of nearby areas to represent farming community. Such setup led a huge gathering in ICAR building. In this pandemic time, it is not desirable to have such huge gatherings. Thus, though, the joint awareness programme is envisaged to be held before every Kharif and Rabi cropping season, it could not be held in 2020. However, the govt. is committed to inform the farming community about the advantages of balanced use of fertilizers. Through, Soil Health Card scheme, the Ministry of Agriculture is already taking necessary steps in this direction. As far as the recommendation for looking into the modalities whether it may be made mandatory to buy fertilizers according to the recommendations in Soil health Card, comments from DAC&FW have been already sought.”

FURTHER COMMENTS OF THE COMMITTEE

(Please see Para No. 1.19 of Chapter- I of the Report)

Recommendation No. 12

Expeditious revival of closed and sick fertilizer Units.

2.7 “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.”

Reply of the Government

- 2.8.1 i. “The revival projects are being monitored closely by Department of fertilizers to ensure that these plants are completed within stipulated time schedule. The progress of the projects is reviewed by the Secretary (fertilizers) on monthly basis and issue/concerns brought to the notice during meetings are resolved suitably. It may be noted that Ramagundam Plant has started urea production on 22.03.2021.
- ii. Except Ramagundam, other projects are still under construction phase. Once, these five plants become operational, about 63.5 LMTPA capacity of indigenous urea production will be added to the country. Therefore, demand and supply gap of urea in the country would be assessed at appropriate time and accordingly suitable decision would be taken in this regard.
- The above point is noted for compliance. Further, Ramagundam has started its commercial production of urea w.e.f. 22.03.2021. On operationalization of all other four revival plants i.e. Talcher (Odisha), Gorakhpur (Uttar Pradesh), Sindri

- (Jharkhand) and Barauni (Bihar), demand and supply gap of urea in the country would be assessed and status of recommendation at Pt(ii) reviewed.
- iii. The re-allocation of equity participation on nomination basis has been decided as Government of Assam - 26%, M/s OIL - 18%, BVFCL - 11%, RCF - 17% and NFL -28%. Accordingly, NFL/BVFCL have been requested to submit Techno Economic Feasibility Report (TEFR) of the project and detailed demand for Viability Gap Funding to make the Namrup-IV project viable to this Department at the earliest so that matter may be taken up with Cabinet for approval of the same.”

CHAPTER – III

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

-NIL-

CHAPTER – IV
OBSERVATIONS/RECOMMENDATIONS IN RESPECT OF WHICH THE REPLIES OF
THE GOVERNMENT HAVE NOT BEEN ACCEPTED BY THE COMMITTEE

Recommendation No. 2

Budgetary allocation in BE 2021-22 for the Department of Fertilizers

4.1 “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.”

REPLY OF THE GOVERNMENT

- 4.2 “FICC had proposed the demand of Rs.61089.00 crores for Indigenous Urea for BE 2021-22, but only an amount of Rs.43236.28 crores have been allocated. The FICC has projected requirement of budget estimates taking into consideration of prevalent gas price and exchange rate. The requirement of Additional funds, if any, will be re-assessed at the time of Revised Estimates for 2021-22 and demanded at RE stage.”

Further Comments of the Committee

(Please see Para No. 1.10 of Chapter- I of the Report)

Recommendation No. 13

Promotion of Nano fertilizers.

- 4.3 “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.”

Reply of the Government

- 4.4 “It is the endeavor of the Government of India to encourage the innovations in the field of agriculture. However, the Department of Agriculture, Cooperation and Farmers Welfare has notified Nano Urea as Nano-Nitrogen fertilizers in Fertilizer (Control) Order, 1985. A notification under clause 20 D of the Fertilizer (inorganic, organic or mixed) Control Order, 1985 has been issued allowing IFFCO to manufacturer nano urea for a period of three years from the date of issue of notification. The Department of Fertilizers is promoting the policy on promotion of city compost under which budgetary allocation for payment of Market Development Assistance (MDA) to promote city compost has been made. At present there is no proposal in this Department for separate budgetary allocation for promotion of nano fertilizer.”

Further Comments of the Committee

(Please see Para No. 1.22 of Chapter- I of the Report)

CHAPTER – V
OBSERVATIONS/RECOMMENDATIONS IN RESPECT OF WHICH THE FINAL
REPLEIS OF THE GOVERNMENT ARE STILL AWAITED

Recommendation No. 3

5.1 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.”

Reply of the Government

5.2 “In the 1st batch of Supplementary Demand for Grants 2021-22 laid by Department of Economic Affairs before the Parliament, the Token Supplementary requested by Department of Fertilizers for BVFCL and R&D Budget head has been included. Approval of budget heads for BVFCL has already been obtained. The proposal for opening/revival of Budget Head for R&D is being sent to Department of Economic Affairs for approval.”

Recommendation No.4

Exemption of Customs duty on import of raw materials for production of fertilizers

5.3 “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.”

Reply of the Government

5.4 “P&K fertilizers is a de-controlled commodity. P&K fertilizer industry take their policy decisions according to their commercial viable terms. P&K industry faced various issues which led them uncompetitive. One of such issues is the existence of inverted custom duty structure. The Basic Custom Duty (BCD) raw materials (i.e. Ammonia, Phosphoric acid, Sulphuric acid, Urea and MOP) is same as BCD on finished fertilizers at

5% except on rock phosphate and sulphur which is 2.5%. In order to encourage and improve the competitiveness of our fertilizer industry, Department of Fertilizers had requested the Ministry of Finance vide DO Letter No. 16050/3/2020-PMI-I dated 20.11.2020 from Secretary (Fert) to Secretary (Finance), dated 15.02.2021 from MoS (C&F) to Finance Minister and further letter dated 30.03.2021 from Minister (C&F) to Finance Minister 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). That would improve the competitiveness of our domestic fertilizers industry and also lead to promoting Atmanirbhar Bharat Mission. Reply from Ministry of Finance is still awaited on the matter.

Fertilizer production data is as below:

Para 2.6

VII Trends in Fertilizer production

(Fig.in 'LMT')

Year	Type of Fertilizers				
	Urea	DAP	NPK	SSP	Total
2017-18	240.23	46.5	88.14	38.75	413.62
2018-19	238.99	38.99	95.15	40.72	413.85
2019-20	244.55	45.5	93.34	42.53	425.92
2020-21	246.03	37.74	100.54	49.35	433.66

NPK includes A/S and Complex fertilizers

Para 2.7

(Fig.in 'LMT')

S.No.	Sector	2019-20			2020-21		
		Urea	DAP	Complex Fertilizes	Urea	DAP	Complex Fertilizes
1	Public	65.75		14.81	66.63		14.54
2	Cooperative	72.05	20.93	21.65	69.99	19.24	23.48
3	Private	106.75	24.58	50.15	109.42	18.5	55.1
	Total	244.55	45.51	86.61	246.04	37.74	93.12

Recommendation No.5

MRP of P& K fertilizers

5.5 “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.”

Reply of the Government

5.6 “Evaluation of NBS Scheme has been done by third party and duly approved by Secy(F). The outcomes of the report along with the EFC proposal has been forwarded to different ministries/departments for their comments. The Ministries/departments have given their comments too. DoF is at the finalizing stage of preparing final EFC proposal which contains the third party evaluation outcomes for its approval.

The draft guidelines of Reasonableness of MRP of P&K Products have been finalized with little modification on the previous guidelines after due discussions and recommendation by the review committee on reasonableness guidelines. The updated guidelines is yet to receive Hon'ble Minister (C&F) assent on it. , the draft updated guidelines has been forwarded to DoE for their comments and confirmation.”

Recommendation No.6

Initiatives to encourage Joint ventures Abroad for meeting the domestic requirement of P&K Fertilizers.

5.7 “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.”

Reply of the Government

5.8 “To strengthen the Overseas Acquisition of Raw Material by the Indian Fertilizer Companies and role of Government, NIAEPR (National Institute of Agriculture Economics and Policy Research) was awarded the Study for Framing Policy for Overseas Acquisition of Raw Material by the Indian Fertilizer Companies and Role of the Government. NIAEPR (National Institute of Agriculture Economics and Policy Research) has furnished its final report (Flag ‘A.’). Comments of JS (Gulf), JS (Eurasia) and JS (DPA-I) of MEA, FAI, NFL, RCF, IIFCO, CIL, Kribhco and GSFC have been obtained on that. On the basis of the Study report and comments of various organizations on that, Draft guidelines for Overseas Acquisition of Raw Material by the Indian Fertilizer Companies and role of Government has been prepared and under consideration.”

Further Comments of the Committee

(Please see Para No. 1.13 of Chapter- I of the Report)

Recommendation No.7

Formulation of time bound action plan to increase production and use of City Compost.

5.9 “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.”

Reply of the Government

5.10 “During 2020-21 in Budget Estimate (BE), funds of Rs. 42.00 crore have been allocated for city compost. However, depending upon the requirement of funds, efforts will be made to increase the budgetary allocation for city compost through supplementary demand. Inputs in respect of above para was also sought from Ministry of Housing and Urban Affairs. Their reply is awaited.”

Recommendation No. 8

Need for Allocation of more funds to give impetus to the production of City Compost.

5.11 “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%.”

Reply of the Government

1. "As on date, 14 States/UTs. i.e. Uttar Pradesh, Maharashtra, Mizoram, Nagaland, Odisha, Punjab, Tamil Nadu, Tripura, Chhattisgarh, Jammu & Kashmir, Andaman & Nicobar Islands, Himachal Pradesh, Meghalaya and Goa have constituted Steering Committee so far. States/UTs are being reminded from time to time for constitution of State Level Steering Committee. Through D.O. letters at Secretary level the concerned State Chief Secretaries have been requested for constitution of Steering Committee. Recently, a reminder was sent in June, 2021 this year to remaining States/UTs with the request to constitute the Committee.
2. Payment of Market Development Assistance (MDA) to compost marketer and compost manufacturers for sale of city compost are made as per the procedure laid down in guidelines dated 10.10.2016 and 9.1.2017 issued by Department of Fertilizers. Sometimes there are delays in receipt of requisite documents from compost marketer and manufacturers, insufficient budget allocation etc. which causes procedural delay in processing of payment. DAC&FW has informed that for augmenting the capacity of existing laboratories for testing of city compost, the States can avail the funds available under various schemes of DAC&FW. It has further been informed that States are, being encouraged in the zonal conferences to increase sample testing.
3. Inputs in respect of recommendation 8, Para 3 above was sought from Ministry of Housing and Urban Affairs. Reply is awaited from MoHUA."

Further Comments of the Committee

(Please see Para No. 1.16 of Chapter- I of the Report)

Recommendation No.10

Direct Benefit Transfer (DBT) to farmers.

5.12 "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."

Reply of the Government

5.13 "Direct Cash Transfer (DCT) to farmers has been under discussion at various forum 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. However, no decision has yet been taken for implementation of Direct Cash Transfer of fertilizer subsidies to farmers.

Further, vide notification dated 04.05.2020, Department of Fertilizers has constituted Working Group for Chintan Shivir for Direct Benefit Transfer to farmer (Direct Fertilizer Subsidy to farmers account instead of an industry) under the chairmanship of Hon'ble Minister for Chemicals and Fertilizers. The Working Group is tasked to Examine the feasibility of introducing a direct fertilizer subsidy transfer to farmers, Suggest methods to safeguard against huge price rise and Unavailability of fertilizers, Suggest the criteria of selection of farmers and their entitlement, Suggest the criteria for determining the amount of subsidy to be transferred to farmers' accounts, Suggest the periodicity of subsidy transfer, Suggest any method to safeguard against negative effect on fertilizer

industry and Suggest the actual mechanism of fund transfer. First meeting of Chintan Shivir was held on 18th May 2020 and second meeting was held on 13th July 2020 with all the stake holders. A meeting with Farmers groups was also held on 10th August, 2020 and fourth meeting of the group was held on 08.09.2020. However, no decision has yet been taken for implementation of Direct Cash Transfer of fertilizer subsidies to farmers.”

Recommendation No.14

Encouragement to small units producing city compost/ organic or bio fertilizers.

5.14 “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.”

Reply of the Government

5.15 “The Department of Agriculture, Cooperation and Farmers Welfare (DAC&FW) is implementing a Capital Investment Subsidy Scheme (CISS) under which grant is available for setting up of State of art liquid/carrier based bio-fertiliser-bio-pesticide units of 200 Ton per annum capacity. 100% assistance is provided to State Govt./Govt. agencies upto a maximum limit of Rs.160.00 lakh/unit. Similarly, for individuals/private agencies, assistance upto 25% of cost limited to Rs.40 lakh/unit as capital investment is provided through NABARD. Inputs in respect of city compost were sought from Ministry of Housing and Urban Affairs. Their reply is awaited.”

**New Delhi;
16 November, 2021
25 Kartika, 1943 (Saka)**

**KANIMOZHI KARUNANIDHI
Chairperson,
Standing Committee on
Chemicals and Fertilizers**

**MINUTES OF THE FIRST SITTING OF THE
STANDING COMMITTEE ON CHEMICALS & FERTILIZERS (2021-22)**

The Committee sat on Tuesday, the 16th November, 2021 from 1500 hrs. to 1700.hrs. in Committee Room 'B', Parliament House Annexe, New Delhi.

**K. KANIMOZHI - CHAIRPERSON
MEMBERS**

LOK SABHA

2. Shri Dibyendu Adhikari
3. Shri Prataprao Patil Chikhlikar
4. Shri Kripanath Mallah
5. Shri Parbhubhai Nagarbhai Vasava
6. Shri Satyadev Pachauri
7. Shri Arun Kumar Sagar
8. Shri Pradeep Kumar Singh
9. Shri Uday Pratap Singh

RAJYA SABHA

- 10 Shri Ayodhya Rami Reddy Alla
- 11 Shri G.C.Chandrashekhar
- 12 Dr. Anil Jain
- 13 Shri Anthiyur P. Selvarasu
- 14 Shri Arun Singh

SECRETARIAT

- | | | | |
|----|-------------------------|---|---------------------|
| 1. | Shri N. K. Jha | - | Director |
| 2. | Shri C. Kalyanasundaram | - | Additional Director |
| 3. | Shri Kulvinder Singh | - | Deputy Secretary |
| 4. | Shri Panna Lal | - | Under Secretary |

2. At the outset, the Chairperson welcomed the Members to the newly constituted Committee and apprised them that the sitting has been convened to consider Memorandum No.1 regarding selection of subjects for examination during the year (2021-22) and also to discuss the future course of action of the Committee during the tenure.

3. The Committee then considered Memorandum No. 1 and after discussion selected the following subjects pertaining to the Ministry of Chemicals and Fertilizers for detailed examination during 2021-22:-

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

1. Nano-fertilizers for sustainable crop production and maintaining soil health.
2. Tax structure on fertilizers sector in terms of GST and import duties – analysis of the tax structure of raw material and final products and its impact on self-

sufficiency and use of fertilizers.

3. Prices, Availability and distribution of fertilizers.

**II. MINISTRY OF CHEMICALS AND FERTILIZERS
(DEPARTMENT OF CHEMICALS AND PETROCHEMICALS)**

4. Vision 2024 - To establish India as a leading manufacturer of chemicals and petrochemicals.
5. Insecticides – promotion and development including safe usage - licensing regime for insecticides.
6. Disposal of toxic waste from Bhopal Gas Leak site.
7. Environmental Impact of Petrochemical products.

**III. MINISTRY OF CHEMICALS AND FERTILIZERS
(DEPARTMENT OF PHARMACEUTICALS)**

8. Promotion of Medical Device Industry.
9. Availability of Medicines and Medical devices for COVID Management.
10. Self sufficiency of key starting Material and intermediates.

4. The Committee then considered and adopted the following draft Action Taken Reports unanimously without any amendment/change:-

- | | | | |
|------|-----------------------------------------------------------------------------------------------------------------------------------------------------------|-----|-----|
| i. | XXX | XXX | XXX |
| ii. | ATR on the recommendations/observations of the Committee contained in the Twentieth Report on “Demands for Grants (2021-22)” (Department of Fertilizers). | | |
| iii. | XXX | XXX | XXX |
| iv. | XXX | XXX | XXX |
| v. | XXX | XXX | XXX |
| vi. | XXX | XXX | XXX |
| vii. | XXX | XXX | XXX |

5 The Committee also authorised the Chairperson to finalize and present the Action Taken Reports to the Parliament in the ensuing session.

The Committee then adjourned.

APPENDIX-II

ANALYSIS OF ACTION TAKEN BY THE GOVERNMENT ON THE RECOMMENDATIONS CONTAINED IN THE TWENTIETH REPORT (SEVENTEENTH LOK SABHA) OF THE STANDING COMMITTEE ON CHEMICALS AND FERTILIZERS (2020-21) ON DEMAND FOR GRANTS (2021-22) OF THE MINISTRY OF CHEMICALS AND FERTILIZERS (DEPARTMENT OF FERTILIZERS).

	Total No. of Recommendations	14
I	Observations/Recommendations which have been accepted by the Government: (Vide Recommendation Nos. 1, 9, 11 & 12)	04
	Percentage of Total	28.57%
II	Observations/Recommendations that the Committee do not like to pursue in view of the Government's replies: (Vide Recommendation No. NIL)	NIL
	Percentage of Total	00.0%
III	Observations/Recommendations in respect of which the replies given by the Government have not been accepted by the Committee: (Vide Recommendation No. 2 & 13)	02
	Percentage of Total	14.28%
IV	Observations/Recommendations in respect of which the final replies of the Government are still awaited: (Vide Recommendation Nos. 3, 4, 5, 6, 7, 8 ,10 & 14)	08
	Percentage of Total	57.14