32

STANDING COMMITTEE ON CHEMICALS & FERTILIZERS

(2021-22)

SEVENTEENTH LOK SABHA

MINISTRY OF CHEMICALS AND FERTILIZERS
(DEPARTMENT OF FERTILIZERS)

DEMANDS FOR GRANTS

(2022-23)

THIRTY - SECOND REPORT

LOK SABHA SECRETARIAT

NEW DELHI

March, 2022/ Phalguna, 1943 (Saka)

CC&F. No. 160

THIRTY-SECOND REPORT

STANDING COMMITTEE ON CHEMICALS AND FERTILIZERS

(2021-22)

(SEVENTEENTH LOK SABHA)

MINISTRY OF CHEMICALS AND FERTILIZERS

(DEPARTMENT OF FERTILIZERS)

DEMANDS FOR GRANTS
(2022-23)

Presented to Lok Sabha on 21 March, 2022

Laid in Rajya Sabha on 21 March, 2022

LOK SABHA SECRETARIAT

NEW DELHI

MARCH, 2022/ PHALGUNA, 1943 (SAKA)

CONTENTS

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 Baij
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 Parbhubhai 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 Vinod Kumar Tripathi	-	Joint Secretary
2. Sh. N.K. Jha	-	Director
3. Shri C. Kalyanasundaram	-	Additional Director
4. Shri Panna Lal	-	Under Secretary

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 Thirty Second Report (Seventeenth Lok Sabha) on 'Demands for Grants (2022-23)' of the Ministry of Chemicals and Fertilizers (Department of Fertilizers).

2. The Committee examined the Demands for Grants (2022-23) pertaining to the Ministry of Chemicals and Fertilizers (Department of Fertilizers) which was laid in Lok Sabha and Rajya Sabha on 8th February, 2022.

3. The Committee took evidence of the representatives of the Ministry of Chemicals and Fertilizers (Department of Fertilizers) at their sitting held on 24th February, 2022.

4. The Report was considered and adopted by the Committee at their sitting held on 16th March 2022.

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

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

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

New Delhi;
16 March, 2022
25 Phalguna, 1943 (Saka)

KANIMOZHI KARUNANIDHI
Chairperson,
Standing Committee on
Chemicals and Fertilizers.

CHAPTER – I

INTRODUCTORY

Fertilizers

1.1 Fertilizers are materials used to provide the plants with nutrients which are deficient in soils. They are inorganic materials with high analytical value and definite composition which can supply nutrients and trace elements, usually applied to the soil to encourage the growth of crops. Some examples of fertilizes are:-

i) Nitrogenous fertilizers (urea, ammonium sulfate);

ii) Phosphate fertilizers (single/triple super phosphate);

iii) Potassic fertilizers (muriate of potash); and

iv) Macronutrients (Ca, Mg, O, C) and

v) Micronutrients (Zn, Mn, Cu, Fe, Mo, S, etc.).

Fertilizer is a chemical product which is either mined or manufactured. Most of the fertilizers are extracted and purified from natural deposits in the earth. Materials such as sulpomag, muriate of potash and triple super phosphate are all produced from naturally occurring minerals. Some materials, such as urea and ammonium nitrate are synthetic, but provide plants with the same nutrients that are found naturally in the soil.

1.2 Due to the dependence of India's Rural economy on fertilizer, the Government of India regulated the sale, price, and quality of fertilizer through a Fertilizer Control Order (FCO) in 1957 & then controlled fertilizer distribution through the Movement control order (MCO) in 1973.

1.3 The Green Revolution in India underscored the importance of fertilizer as an essential commodity as the new variety seeds were responsive to higher doses of fertilizer. This led to an increased demand for fertilizer in the country. It was critical that sufficient fertilizer reaches farmers on time at a reasonable price.

1.4 The actual production of all major Fertilizers during the FY2020-21and FY 2019-20 were 433.66 LMT and 425.92 LMT respectively. It's showing an increase of more than 1.8 % in comparison to the previous year. The actual production of all major fertilizers during the year 2021-22 (during April 2021 to December 2021) is 330.84 LMT. The rapid build-up of fertilizer production in the country has been achieved as a result of a favourable policy environment facilitating investments in the public, co-operative and private sectors.

1.5 At present, there are 33 large size urea plants in the country manufacturing urea, 21 units producing DAP & complex fertilizers and 2 units manufacturing Ammonium Sulphate as a by-product.

Objectives and Organisational Set up and Functions of the Department of Fertilizers

1.6 The main functions of the Department of Fertilizers (DoF) include planning, promotion and development of the fertilizer industry, planning and monitoring of production, import and distribution of fertilizers and management of financial assistance by way of subsidy/concession for indigenous and imported fertilizers. A list of subjects falling under the jurisdiction of the Department of Fertilizers is as under:

A

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

B

FICC (Fertilizers Industry Coordination Committee): an attached office of DOF, which is concerned with cost aspects of Urea Production/for determination of subsidy and disbursement of subsidy on indigenous urea.

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

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

The work of all the wings of Department of Fertilizers is headed by Secretary and supported by Additional Secretary, Joint Secretaries and Economic Adviser.

FICC is an attached office under the Department of Fertilizers and is headed by Executive Director. The Chairman of FICC is the Secretary (Fertilizers) and the members are represented from (1) Fertilizers Industrial Policy and Promotion of Agriculture & Cooperation, (2) Department of Expenditure (3) Ministry of Petroleum and Natural Gas, (4) Tariff Commission (5) Two representatives of the urea industry. ED (FICC) is the Member Secretary.

1.8 The Detailed Demands for Grants (2022-2023) of the Ministry of Chemicals and Fertilizers (Department of Fertilizers) was presented to the Lok Sabha on 08th February, 2022. An allocation of Rs. 109242.23 Crore [(Revenue-Rs.109242.18 Crore) + (Capital - Rs.0.05 Crore)] has been made in the Budget Estimates (BE) of Demand No.6 pertaining to Department of Fertilizers for the year 2022-23. The Committee have examined, in-depth, the Demands for Grants of the Department for the financial year 2022-23 and these details are given in succeeeding Chapters of the Report. The Observations /Recommendations of the Committee have been given at the end fo the Report. The Committee expect the Department to take all necessary steps for proper and timely utilization of funds ensuring completion of the various schemes and projects in a time bound manner. The Committee expect the Department of Fertilizers to take the Committee's Observations/Recommendations seriously and act on them expeditiously and furnish Action Taken Replies in respect of the Observations/Recommendations made in the Report within three months from the date of presentaiton of this Report.

CHAPTER-II

EXAMINATION OF DEMAND NO.6 – DEMANDS FOR GRANTS OF THE DEPARTMENT OF FERTILIZERS FOR 2022-23.

Budget Estimates for 2022-23.

2.1 Rs. 109242.23 Crore is the Budget Estimates (BE) under Demand No.6 pertaining to the Department of Fertilizers for the year 2022-23 which includes Revenue Expenditure of Rs.109242.18 Crore and Capital Expenditure of Rs.0.05 Crore.

Gist of the Schemes/ Programmes of the Department of Fertilizers

2.2 A gist of the Schemes/ Programmes of the Department of Fertilizers is as under:

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

- **Nutrient Based Subsidy Policy:**

    a. **Indigenous P & K Fertilizers:** Provision is for payment to the manufacturers of fertilizers/agencies under the Nutrient Based Subsidy (NBS) scheme on the sale of decontrolled Phosphatic and Potassic fertilizers at concessional rate to the farmers. The concession would lead to balanced use of fertilizer (NPK) nutrients for better soil health and productivity.

    b. **Imported P & K Fertilizers:** Provision is for payment to the **importers** of fertilizers/agencies under the Nutrient Based Subsidy (NBS) scheme on the sale of decontrolled Phosphatic and Potassic fertilizers at concessional rate to the farmers. The concession would lead to balanced use of fertilizer (NPK) nutrients for better soil health and productivity.

    c. **City Compost:** Provision is for payment of Market-Development-Assistance to manufacturers of City Compost at the rate of Rs. 1500/- per MT. This scheme has been discontinued from the financial year 2022-23.

- **Urea Subsidy:**

    a. Indigenous Urea: The provision relates to the subsidy under New Urea Policy (2015), New Investment policy (2012) and Freight subsidy under Uniform freight policy for production of urea. The subsidy scheme is intended to make fertilizers available to the farmers at reasonable prices and to give producers of fertilizers a reasonable return on their investment. The difference between the concession price so fixed less distribution margin and the statutorily controlled consumers' price is allowed as subsidy. The quantum of subsidy depends on the concession price, the consumer's price and the level of production.

b. Imported Urea: As indigenous production is not adequate to meet the demand for fertilizers, imports are arranged to make up for the shortfall. The cost involved is broadly the price of imported fertilizers plus the cost of handling and distribution of the fertilizers. The selling price of imported fertilizers to farmers is controlled under the Fertilizer Control Order and the consumer prices are thus statutorily regulated. This selling price is the same as the selling price for indigenous production. The difference between the amount realised by way of sale of fertilizers to farmers and the import costs to Government represents the subsidy on fertilizer imports.

- **Assistance to PSUs:**

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

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

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

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

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

  f. **Hindustan Urvarak and Rasayan.:** A provision of Rs.444.58 Crore has been made in BE and RE 2021-22.

Budget Estimates and Expenditure

2.3 A statement showing the Budget Estimates, Revised Estimates and Actual Expenditure (as on 31.1.2022) of the Department of Fertilizers for financial year 2021-22 and Budgetary allocation made in BE 2022-23 for the schemes/ programmes of the Department in the Demand for Grants (2022-23), as furnished by the Department is as given below:

(Rs. in Crore)

		BE 2021-22	RE 2021-2	Expenditure as on 31.1.2022	BE 2022-23
1	**Secretariat Economic Services (3451)**	**37.08**	**36.28**	**28.88**	**39.75**
2	**Nutrient Based Subsidy Policy (2401)**	**20762**	**64192**	**43672.24**	**42000**
	Indigenous P & K Fertilizers	12460	39062.66	26370.93	25200
	Imported P & K Fertilizers	8260	25087.34	17262.31	16800
	City Compost	42	42	38.38	0
3	**Urea Subsidy (2852)**	**62797.68**	**84990.42**	**73974.64**	**67202.42**
	Indigenous Urea Subsidy	43236.28	48612	39758.72	46596.78
	Import of Urea Subsidy	19550	36250.4	34106.77	20590
	Direct Benefit Transfer (DBT) in Fertilizer Subsidy				
	(a) Office Expense	1.4	1.4	0.52	1.54
	(b) Professional Service	10	26.52	8.63	14
	R& D Grant-in-aid	0	0.1	0	0.1
	BVFCL Grant-in-aid	0	100	100	0
4	**Assistance to PSUs**				
	For write off of loan, interest and penal interest on Govt. of India loan outstanding (3475)	0.01	0	0	0.01
5	**Capital Section**	**444.62**	**0**	**0**	**0.05**
	BVFCL (6855)	0.01	0	0	0.01
	HFCL (6855)	0.01	0	0	0.01
	FCIL(6855)	0.01	0	0	0.01
	PPCL(6855)	0.01	0	0	0.01
	HURL(6855)	444.58	444.58	0	0.01
	Grand Total	**84041.39**	**149663.28**	**117675.14**	**109242.23**
	Recovery	**4030**	**8960**	**--**	**3980**
	Net Total	**80011.39**	**1407103.28**		**105262.23**

Central Sector Schemes/ Projects.

A) Major Head 3451 – Secretariat-Economic Services

2.4 The Department on being asked to specify the reasons for increase of fund allocation under Major Head 3451 from Rs.36.28 Crore in 2021-22 (RE) to Rs.39.75Crore in 2022-23 (BE), replied in writing as under:

> "The RE for the Department of Fertilizers (expect PAO & FICC) for the year 2021-22 was Rs. 29.53 Crore while the BE for the year 2022-23 is Rs. 32.34 Crore which is less than 10% increase in the RE (2021-22). This increase of fund has been given due to increase of DA, TA, Annual Increment, new joining in the Department, possible more Domestic & Foreign Tour after Pandemic Covid 19, etc. in the coming financial year 2022-23."

B.) Major Head 2401 – Nutrient Based Subsidy Policy:-

2.5 Revised Estimate (RE) for the year 2021-22 under the Head "Nutrient Based Subsidy Policy" was Rs. 64,192 Crore. However, Budget Estimate (BE) under the head has been reduced to Rs. 42,000 Crore for 2022-23. In this regard, DoF when asked to clarify whether it would be able to achieve the underlying objectives and requirements of the policy with the reduced allocation of fund during 2022-2023; replied as under:

> "In the absence of less budgetary allocation, the FS Division may not clear all the claims in respect of Indigenous P&K and Imported P&K. M/o Finance will be requested to provide further budgetary allocation for Subsidy Head 2401 in the 1st stage of Supplementary.
>
> Reduction in BE for 2022-23 does not mean that no upward revision would be given in case there is requirement for funds for grant of subsidy in case the situation of increased prices of inputs and fertilizers arises. DoF will seek further funds for meeting the requirements in RE."

2.6 Actual Expenditure (AE) for the year 2021-22 (till 31.01.2022) under the Head indigenous P&K fertilizers subsidy was Rs.26370.93 Crore against the RE for the year Rs. 39062.66 Crore. In this regard, the Department on being asked to furnish details regarding steps being taken to ensure full utilization of the RE allocation within the financial year, furnished the following written reply :-

	2021-22			
	BE	RE	Actual Expenditure (Up to 14.02.2022)	Anticipated Expenditure Feb/Mar 22
Indigenous P&K	12460	39062.66	26370.93	7691.73

Less utilization in Indigenous P&K is due to receipt of less amount of claims on account of less sale.

2.7 AE for the year 2021-22 (till 31.01.2022) under the Head imported P & K fertilizers subsidy was Rs.17262.31Crore against the RE for the year Rs. 25087.34 Crore. In this regard, the Department on being asked to furnish details regarding the concrete steps being taken to ensure full utilization of the balance allocation within the financial year, furnished its written reply as below:-

	2021- 22			
	BE	RE	Actual Expenditure (Up to 14.02.2022)	Anticipated Expenditure Feb/Mar 22
Imported P&K	8260	25087.34	17262.32	5825.02

Less utilization in Imported P&K is due to receipt of less amount of claims on account of less sale.

C.) Major Head 2852 – Urea Subsidy:-

2.8 RE for the year 2021-22 under the Head Urea Subsidy was Rs.84990.42 Crore. However, BE 2022-23 under the Head has drastically been reduced to Rs. 67202.42 Crore. In this regard, DoF when asked to clarify as to how with the reduced allocation of fund it would be able to achieve the underlying objectives and requirements of the Urea subsidy Policy during the year 2022-2023, replied in writing as under:

> “Against the projection of Rs.72128.00 Crore, an amount of Rs.46596.78 Crore have been allocated under BE 2022-23. As the allocated amount is not sufficient to meet the projected requirement of subsidy funds for the year 2022-23, the requirement of Additional funds will be re-assessed and demanded at the time of RE/Supplementary for 2022-23 depending on the price of raw material and fertilizers.”

2.9 AE for the year 2021-22 (till 31.01.2022) under the Head “Indigenous Urea” subsidy is Rs.39758.72 Crore against the RE for the year being Rs. 48612.00 Crore. In this regard, the Department when asked to furnish details regarding the concrete steps being taken by DoF to ensure full utilization of the balance allocation within the financial year, furnished the following written reply:-

> “The allocation under RE 2021-22 in r/o Indigenous Urea Is Rs.48612.00 Crore. The actual expenditure as on 31-01-2022 was Rs. 39758.72 Crore. As on 11.02.2022 claims for Rs.7392.99 Crores are pending. The available funds will be utilized during Feb & Mar 2022.”

2.10 AE for the year 2021-22 (till 31.01.2022) under the Head :”Import of Urea subsidy” is Rs.34106.77 Crore against the RE for the year being Rs.36250.40 Crore. In this regard, DoF was asked to furnish details regarding the concrete steps that are being taken to ensure full utilization of the balance allocation within the financial year, Department in its written reply stated, “In anticipation of sufficient claims during the remaining period, the balance amount will be fully utilized within 31.03.2022.”

2.11 The Department of Fertilizers when asked to state if they foresaw the requirement of Supplementary Demands to meet the needs for Urea fertilizer subsidy policy during the year 2022-23, replied in writing as under:

> "Against the projection of Rs.72128.00 Crore, an amount of Rs.46596.78 Crore have been allocated under BE 2022-23. As the allocated amount is not sufficient to meet the projected requirement of subsidy funds for the year 2022-23, the requirement of Additional funds will be re-assessed and demanded at the time of RE/Supplementary for 2022-23.
>
> Yes. M/o Finance will be requested to provide further budgetary allocation for Subsidy Head-2852 in the 1st stage of Supplementary in order to bridge the gap between the requirement and allocation of fund under BE 2022-23."

2.12 On being further asked to elaborate regarding initiatives envisaged by the DoF to convince the Ministry of Finance for allocation of the genuine requirements on account of Urea subsidy scheme at RE stage during the year 2022-23, the Department replied in writing as follows:

> "The cost of production of urea is dependent on the prevailing international price of natural gas, which keeps on fluctuating and therefore requires mid-term review of Budgetary estimates. Accordingly, this will be reviewed during RE stage. IFD will take necessary action to convince the Ministry of Finance for allocation of additional funds, if so required."

D) <u>Capital Section</u>

<u>Major Head 6855 – HURL:-</u>

2.13 BE and RE for HURL during the year 2021-22under the Capital Section Head was Rs. 444.58 Crore, however, the AE for the same (till 31.01.2022) is Rs. 0.00 (i.e. Nil). In this regard, DoF was asked to furnish details about the type and purpose of budgetary allocation to HURL during 2021-22 and the reasons for the said budgetary allocation remaining un-utilized and the concrete steps being taken to ensure full utilization of the budgetary allocation under the Head within the financial year, DoF in its written reply stated as below:-

> "CCEA on 01.08.2018 approved Interest Free Loan (IFL) of Rs.1257.82 Crore equivalent to interest during construction (IDC) component to HURL projects (Sindri, Gorakhpur and Barauni). During the FY 2020-21, Rs. 813.24 Crore was released to HURL vide sanction order dated 25.03.2021 as 1st instalment. HURL vide letter dated 05.10.2021, requested for release of 2nd instalment of IFL of Rs. 444.58 Crore.
>
> While processing the disbursement of 2nd instalment, it was observed that IDC has been approved by CCEA for the period not exceeding 36 months from the zero date whereas HURL has raised demand of IFL equivalent to interest calculated for the period of 36months from the date of drawl of first instalment of loan from Bankers. Therefore, IFL was restricted to IDC for the period of 36 months from the zero date. Accordingly, Rs.81.56 Crore has been released to HURL as 2nd and final instalment of IFL vide sanction order

14.02.2022 and unutilized amount of Rs. 363.02 Crore (Rs. 444.58 – Rs. 81.56) Crore has been surrendered."

Proposed and allocated Budget (2022-23) for the Department of Fertilizers

2.14 When asked to provide the break-up of BE 2022-23 proposed by the Department, Budget Head-wise for different schemes/ programmes and finally approved by the Ministry of Finance alongwith their comments/ reasons as to why the Ministry of Finance did not allocate the funds as originally proposed by the Department, the Department in its written reply furnished the following information:

(Rs.in Crore)

Major Head	Name of the Scheme	Projections for 2022-23	Allocation for 2022-23
3451	**Sectt. Economic Services**	**41.89**	**39.75**
2401	**Nutrient Based Subsidy Policy**		
	Indigenous P & K Fertilizers	43810.22	25200.00
	Imported P & K Fertilizers	28891.78	16800.00
	City Compost	0.00	0.00
	Total	**72702.00**	**42000.00**
2852	**Urea Subsidy**		
	Indigenous Urea	72128.00	46596.78
	Imported Urea	31873.00	20590.00
	Direct Benefit Transfer	15.54	15.54
	Grant-in-aid for R&D	0.10	0.10
	Total	**104016.64**	**67202.42**
	Recovery	3980.00	3980.00
3475	For write off of loan, interest and penal interest on Govt. of India loan outstanding	0.01	0.01
6855	**Capital Section**	0.05	0.05
	Grand Total (Gross)	**176760.59**	**109242.23**

"In 2022-23, the Department had proposed an amount of Rs.176718.64 Crore for its fertilizer subsidy schemes, against which the Department has been allocated Rs.109202.42Crore.

Ministry of Finance allocated the funds as per the priorities of the Government and financial space available. If shortage of fund will be felt during the financial year 2022-23, it will be taken care of by demanding additional funds at RE stage."

2.15 On being asked as to how the Department would be able to meet its Budgetary requirements and targets (under different Heads) in view of decrease of allocation by Rs. 67,518.36 Crore in BE 2022-23, the Department replied in writing as under:

> "Actual requirement of funds will depend on the prevailing prices of some material fertilizers in the market. However, if the need arises, D/o Fertilizers will request M/o Finance to allocate additional funds at RE 2022-23 stage and in the Supplementary Demands for Grants during 2022-23."

2.16 The Department of Fertilizers proposed a requirement of Rs.0.01 Crore for write-off of loan, interest and penal interest on Govt. of India loan outstanding (Major Head 3475) which has also been allocated by the MoF. In this regard, DoF was asked to furnish details of the current status of proposals for waiver off of loans, etc. in respect of sick/ closed fertilizer PSUs under it and whether it will be able to meet the said requirements within the financial year with the token allocation of Rs.1 lakh. In its written reply submitted to the Committee, DoF stated in this regard as below:-:

> "In a high level meeting it was inter-alia decided that FACT & MFL should monetize their vacant lands, enhance operating efficiencies and rationalize their manpower to achieve the desired restructuring to ensure that as far as possible there should not be any financial outgo of Government of India. Steps are being taken by DoF/MFL/FACT in accordance with the directions. The request for provisioning of funds will be made once the decision on restructuring proposal of these PSUs are obtained."

2.17 The Department of Fertilizers proposed a requirement of Rs 5 Lakh for Capital Expenditure (Major Head 6855) which has been allocated by MoF. In this regard, when asked to elaborate about the nature of expenditure proposed to be made and to explain if the budgetary allocation is sufficient to meet the requirements under the Head, DoF replied in writing, "These are only token provisions and are kept in BE 2022-23 for survival of budget heads and in case any emergent need arises, the funds could be re-appropriated to the concerned heads."

<u>Carry-over liabilities in respect of Urea and NBS Subsidy Schemes</u>

2.18 When asked to provide the break-up of estimated amount of carry-over liabilities in respect of Urea and NBS Subsidy Schemes (both in case of indigenous and Imported fertilizers),as on date, the Department replied in writing as under:

> "Settlement of subsidy/DBT claims of fertilizers companies are being done regularly subject to availability of funds. So far as Indigenous Urea is concerned, there is No carry over liability as on date pertaining the previous years. However, the approximate amount of Carryover Liabilities in r/o Indigenous Urea would be Rs. 6000.00 Crores w.r.t. RE 2021-22.
>
> Following are the estimated amount of carry-over liabilities for the current FY 2021-22 as on date:-
>
> 2401 – Indigenous P&K -Rs.1300.00 Crores
>
> 2401 – Imported P&K - Rs.2073.00 Crores
>
> 2852 - Imported Urea -Rs.12300.00 Crores (including recoveries)"

2.19 The Department on being asked to state if they would request for supplementary demands to meet the requirements of P&K fertilizers subsidy policy during the year 2022-23, replied in writing, "Yes. M/o Finance will be requested to provide further budgetary allocation for Subsidy Head-2401 in the 1st stage of Supplementary in order to bridge the gap between the requirement and allocation of fund under BE 2022-23."

2.20 In this regard, on being further asked as to how they will manage to dismantle these carry-over liabilities particularly in the wake of the reduced budgetary allocation and steps proposed to be taken in this regard, the Department in their written reply submitted as under:-

> "To meet Indigenous Urea funds requirement in Quarter-4, 2021-22, this Department has requested for grant of Rs 6000 Crore under 3rd supplementary grant if supplementary is not granted, anticipated COL i.e. Rs 6000 Crore would be settled in FY2022-23.
>
> Carryover liabilities of 2021-22 i.e. Pendency as on date (28.02.22) in respect of Indigenous P&K and Imported P&K will be completely cleared from the available budget (RE 2021-22) by the end of March 2022. In order to clear pendency in case of Imported Urea, M/o Finance has been requested to provide additional funds under 3rd Supplementary.

2.21 When asked to Specify if the Ministry had fixed any targets for timely payment/settlement of carry-over liability(ies) in case of pending bills for NBS/ Urea subsidy and City Compost (Market Development Assistance) during the last three years and achievements and shortfalls in this regard and the balance carry-over liabilities on these accounts as on date and measures taken to remove the loop-holes, the Department replied in writing as under:

> "Settlement of Indigenous Urea subsidy/DBT claims of fertilizers companies are being done regularly subject to availability of funds as per the approved MEP/QEP. So far as Indigenous Urea is concerned, there is No carry over liability as on date pertaining the previous years.
>
> Carry over liabilities prior to 2019-20 were cleared during FY 2020-21. Details of carry over liabilities of 2020-21 (as on 01-04-2021) are as follows:-

S. N.	Particulars	Status
1	Imported P&K	Against carryover liability of Rs.479.21 Crores (as on 01.04.2021), claims worth Rs.362.53 Crore have already been paid. Claims worth Rs.116.68 Cr are being processed for payment.
2	Imported Urea	Against carryover liability of Rs.546.98 Crores (as on 01.04.2021), an amount of Rs.426.46 Cr have been paid and claims worth Rs.58.37 Cr are being processed for payment. The balance carry over liabilities claims worth Rs.62.15 Crores are pending for want of clarifications/ documents and the same will most likely be settled soon.

BE, RE and AE for 2021-22 and BE 2022-23

2.22 Indicating the substantial increase in RE allocation over the BE allocation over the years, a representative of the Department while giving power point presentation to the Committee on Demands for Grants 2022-23, conveyed as under:

> ….when we are comparing the Budget Estimates and Revised Estimates for the year 2020-21, while Budget Estimate under urea subsidy in 2020-21 was Rs. 50,435 Crore, but it was enhanced to Rs. 99,547.42 Crore at RE stage. Similarly, for Nutrient-based Subsidy Scheme, BE for 2020-21 was 23,504 Crore, which was enhanced to Rs. 38,989.88 Crore at RE stage. So, total Budget Estimate for 2020-21 was Rs. 73,974.99 Crore, which was enhanced to Rs. 1,39,382.70 Crore at the RE stage. This slide shows the comparison between the Budget Estimates and Revised Estimates under urea head, under Nutrient-based Subsidy Scheme, and then the total subsidy. We can see at the Revised Estimates, there was a substantial increase as compared to the budget provision.

2.23 RE for Revenue Expenditure and Capital Expenditure during the year 2021-22 is Rs. 1,49,218.70 and Rs. 444.58, respectively. However, the Actual Expenditure (upto 31.12.2021) on account of above two Budget Heads is only Rs. 75,951.25 and Nil. In this regard, the DoF on being asked to furnish specific reasons for less and Nil utilization of funds on these two accounts upto 31.12.2021 and to provide the break-up of anticipated expenditure on these accounts to completely utilize the Budget allocation within the financial year, replied in writing as under:

> "The allocation under RE 2021-22 in r/o Indigenous Urea Is Rs.48612.00 Crore. The actual expenditure as on 31-12-2021 was Rs. 30,258.72 cr. Subsequently, Rs.9500.00 Crores has also been utilized under MEP for January 2022. Further, as on 11.02.2022 claims for Rs.7392.99 Crores are pending. The available funds will be utilized during Feb & Mar 2022.

	2021-22			
	BE	RE	Actual (Up to 14.02.2022)	Anticipated Expenditure Feb/Mar 22
Imported Urea	19550.00	36250.40	35544.30	706.10
Imported P&K	8260	25087.34	17262.32	5825.02
Indigenous P&K	12460	39062.66	26370.92	7691.73

2.24 The allocation for subsidy expenditure in RE for the FY 2021-22 was Rs. 1,49,182.42 Crore, however, the actual expenditure is Rs. 75,926.42 Crore (upto 31.12.2021). In this regard, DoF when asked to furnish specific reasons for less utilization of funds on this account and to provide the break-up of anticipated expenditure on this account so as to completely utilize the Budget allocation within the financial year, replied in writing as under:

> "The expenditure before RE stage is done on BE basis. Although RE 2021-22 has been finalized in December, 2021, the same was regularized through 2nd

batch of supplementary in the month of January, 2022. Expenditure up to 31.01.2022 is 1,17,646.25 Crore.

In respect of Indigenous Urea, the funds have been utilized as per the approved MEP/QEP upto December 2021. There is no Carryover liability in r/o Indigenous urea.

	2021-22			
	BE	RE	Actual Expenditure (Up to 14.02.2022)	Anticipated Expenditure Feb/Mar 22
Imported Urea	19550.00	36250.40	35544.30	706.10
Imported P&K	8260	25087.34	17262.32	5825.02
Indigenous P&K	12460	39062.66	26370.93	7691.73

Supplementary Grants and Excess Grants

2.25 When asked to provide information about the Supplementary Grants and Excess Grants presented to the House, if any, during 2021-22 and the purpose and amounts spent so far, the Department in it's written reply stated as under:

"In the First Batch of Supplementary Demand for Grants, 2021-22, an amount of Rs. 0.01 Crore as token supplementary has been granted by the Department of Economic Affairs for Grant of Rs.100 Crore to BVFCL and Grant-in-aid of Rs.0.10 Crore for R&D by diverting funds from Indigenous Urea and Professional Services (Sectt. Economic Services) respectively. Further, in the Second batch of Supplementary Demand, an amount of Rs.43,430 Crore for P&K and Rs.15000 Crore for Urea has been granted by the Department of Economic Affairs.

Excess Grants: The above mentioned supplementary is excess grant allocated to the Department of Fertilizers."

2.26 In this regard, when asked to convey the status of disbursal and utilization of Rs. 100 Crore Grant for BVFCL, as on date, the Department of Fertilizers informed in writing that, it has been fully disbursed.

2.27 The Department of Fertilizers when further asked to convey the status and details of utilization of Rs. 10 lakh Grant-in-Aid for R&D, as on date, informed the Committee in writing that Rs. 10 lakh are to be used to promote nano urea. Expenditure as on 31.01.2022 is zero.

2.28 To a further query regarding the status of utilization of Supplementary Grant of Rs.43,430 Crore i.r.o. P&K fertilizers and Rs.15000 Crore i.r.o. Urea fertilizer granted by the Department of Economic Affairs and the steps taken to fully utilize the same under various Heads within the current financial year, the Department replied in writing, "An amount of Rs.3229.60 Crores has been allocated under 2nd Batch of supplementary Demands for Grant 2021-22, The same will be utilized during Feb & March 2022."

2.29 During the course of oral evidence, the Committee sought reasons for the decrease in subsidy towards indigenous and manufactured fertilizer and increase in subsidy portion towards imported fertilizer over the last two financial years. The Committee also sought explanation as to how with the cut in Urea subsidy by 17 per cent lower (than the Revised Estimates) and decrease in the NPK subsidy by 35 per cent in the Budget for fertilizer subsidies will the Department bridge the gap. To the query raised, the Secretary, Department of Fertilizers replied as under:

> "…..as we have informed in our presentation, the international prices of fertilizers as well as raw material is constantly increasing in the last 1 ½ years after COVID-19 and other geo-political situations like China, etc. Therefore, import of raw material as well as NPK fertilizer and DAP has become very costly. The Government, in order to maintain the price at reasonable rates and making NPK fertilizer available to the farmers at reasonable rates has increased the subsidy twice. The first tranche of subsidy enhancement took place before the Kharif season in May and the second tranche of subsidy was increased in the month of October. We have spent huge amount on subsidy for maintaining the same quantity of supply because of these reasons.
>
> Hence, more money has been spent on imported NPK fertilizer as also on Urea. It is because Urea and Ammonia prices have also gone up. Nearly, 25-30 per cent Urea is imported every year. This year, the price of Urea has gone up from $300 odd per metric tonne in January, 2021 to around $1,000 per metric tonne in December, 2021. Therefore, the import of Urea has also cost us much. We are spending more money on import. It does not mean that we are importing more quantities, but for importing the same quantity we are spending more money because of the increase in international prices. This situation may arise this year also. We do not know about it. If this situation is there, then we will approach the Government for more money at the time of Supplementary Demands."

CHAPTER-III

FERTILIZERS SUBSIDY POLICY

3.1 Due to the dependence of India's Rural economy on fertilizer, the Government of India regulated the sale, price, and quality of fertilizer through a Fertilizer Control Order (FCO) in 1957 & then controlled fertilizer distribution through the Movement control order (MCO) in 1973.

3.2 The Green Revolution in India underscored the importance of fertilizer as an essential commodity as the new variety seeds were responsive to higher doses of fertilizer. This led to an increased demand for fertilizer in the country. It was critical that sufficient fertilizer reaches farmers on time at a reasonable price.

3.3 The oil shock of the 1970s created uncertainty about fertilizer pricing. The increase in crude oil price led to an increase in the price of petroleum naphtha, a key fertilizer feedstock. The increase in the price of fertilizer feedstock resulted in increase in fertilizer price. In the wake of the oil price instability and increased fertilizer prices, the Indian government set up the Marathe Committee in 1976. This Committee would study the basis of existing pricing policy and recommend a pricing policy that would ensure price certainty for fertilizer. Based on the recommendation of the Committee, the Government of India introduced the Retention price Scheme (RPS) in 1977. This was the first major policy reform in the fertilizer industry and a significant policy shift from the period post 1977 when the Government decided to provide subsidies to farmer for fertilizer purchases. The government also introduced incremental reforms in later years to overcome the shortcoming of the preceding reform, as mentioned in brief below:

Through the Retention Price Scheme (RPS) which was initiated in 1977:

i) The Government fixed the fertilizer price and made it uniform across the country.
ii) The Government paid the difference between the retention price and the MRP to the manufacturer.

The outcome of this initiative was:

i) A significant increase in fertilizer production and consumption.
ii) A Significant increase in government 's subsidy bill.

The Decontrolling of fertilizer was undertaken in 1991:

i) To reduce the subsidy burden the government decontrolled all fertilizer except urea (that is, only urea production was subsidized under RPS).
ii) The Government sold non urea fertilizer at non – subsidized prices.

The outcome of this initiative was:

i) Urea price became lower than other fertilizer.

ii) Increase in consumption of urea and decrease in consumption of other fertilizer due to price differential.

iii) Imbalanced / disproportionate use of fertilizer, that is, use of urea in higher proportion to other fertilizers.

The Concession Scheme for other Fertilizer initiated in 1992:

i) To encourage a balanced or proportionate use of fertilizer and enhance the ability of farmers to purchase affordable fertilizer other than urea, the government introduced a specific concession scheme for non – Urea fertilizers

ii) The difference between the cost of sales and maximum retails price (MRP) formed the concession rates.

The outcome of this initiative was:

i) Increase in fertilizer consumption and consequently agriculture production in the country during two decades from 1991 to 2000.

ii) However, the marginal response of agriculture productivity to additional fertilizer usage decreased during the last few years of this period.

iii) A significant increase in subsidy burden of the government.

NBS policy for P&K fertilizers

3.4 The Nutrient based Subsidy Scheme (NBS) was initiated in 2010 mainly to overcome the drawbacks of the concession scheme for non – urea fertilizers while Urea remained subsidized under RPS. In the context of nation’s food security, the declining response of agricultural productivity to increased fertilizer usage in the country has been a matter of concern. To ensure balanced application of fertilizers, the government intended to move towards a nutrient based subsidy regime (NBS) instead of the previously existing product pricing regime. Accordingly, Government of India came up with the Nutrient Based Subsidy Scheme for P and K Fertilizers.

3.5 The policy is expected to promote balanced fertilization through new fortified products and lead to an increase in agricultural productivity and consequently better returns for the farmers. The Govt. of India implemented the first phase of Nutrient Based Subsidy (NBS) policy for P & Kfertilizers w.e.f 1st April, 2010. The per kg NBS for nutrient ‘N’, ‘P’, ‘K’ and ‘S’ for 2010-11 have been fixed at Rs.23.227, Rs.26.276, Rs.24.487 and Rs.1.784, respectively. The NBS to be paid on each nutrient will be decided annually by the government. The nutrient based subsidy so decided by the Government will be converted into subsidy per tonne for each subsidized fertilizer. The NBS is applicable for DAP, MOP, MAP, TSP, 12 grades of complex fertilizers and Ammonium Sulphate (Caprolactum grade of GSFC and FACT). Per MT additional subsidy for fortified fertilizers with Boron fixed at Rs.300 per tonne and

Zinc Rs.500 per tonne. Manufacturers of customized fertilizers and mixture fertilizers will be eligible to source subsidized fertilizers from the manufacturers/ importers of subsidized fertilizers. The market price of subsidized fertilizers, except urea will be determined based on demand/supply balance. The fertilizer companies will be required to print retail price along with applicable subsidy on the fertilizer bags. 20 per cent of the decontrolled fertilizers produced/imported in India will now be in the movement control under the ECA 1955 to bridge the supplies in underserved areas. Freight subsidy on the decontrolled fertilizers will be restricted to the rail freight. Import of all the subsidized P & K fertilizers is placed under Open General License (OGL).

3.6 During the course of evidence on Demands for Grants, 2022-23, DoF in its Power Point Presentation about it's subsidy scheme on fertilizers informed the Committee as below:-

> "…..I would like to give an overview of the subsidy scheme. We have two subsidy schemes – urea subsidy scheme and nutrient-based subsidy scheme. Urea subsidy scheme is applicable for urea. There is a fixed MRP and the subsidy varies from plant to plant depending upon their gas price and other fixed charges. The MRP of urea ranges from Rs. 1,000 to Rs. 2,000 for a bag of 45 kilograms. We have taken the maximum figure. Its MRP with subsidy is Rs. 266.5 per bag of 45 kilograms across India. The nutrient-based subsidy is fixed and the MRP is variable because it comes under OGL. We give the subsidy under NBS every year which is based on the nutrient component like N,P,K and S for all the 25 grades of P&K fertilizers. On an average, 70 per cent of the total subsidy budget goes to the urea and 30 per cent goes to the P&K fertilizers."

3.7 On being asked to furnish a detailed note on the current fertilizes subsidy policy of the Government in respect of Urea and P&K fertilizers, DoF in its written reply furnished the following information:-:

> **Nutrient Based Subsidy:-** The subsidy rates under NBS 2021-22 were fixed twice through CCEA approval in view of the increasing international prices of raw materials and finished P&K fertilizers. The NBS rates vide. Notification No. 23011/1/2021-P&K dated 20.05.2021 were made applicable from 20.05.2021 to 30.09.2021. The subsidy on 'P' nutrient was increased from Rs. 14.888 per kg to Rs. 45.323 per kg through this notification.
>
> The notification dated 20.05.2021 was originally applicable till 31.10.2021. However, another CCEA approval for revision in NBS rates were taken before the Rabi season and accordingly, the new NBS rates vide. Notification No. 23011/1/2021-P&K dated 13.10.2021 were made applicable from **01.10.2021 to 31.03.2021.** In order to support the farmers in the present distress situation arising out of COVID-19 pandemic and facilitate domestic manufacturing of DAP and P&K fertilizers, it was decided to give special one-time packages of additional subsidy on DAP and on three most consumed NPK grades viz. NPK 10-26-26, NPK 20-20-0-13 and NPK 12-32-16 fertilizers where subsidy were increased in view of the continuously increasing

international prices of raw materials and finished products to ensure affordable, reasonable, adequate and timely availability of these fertilizes.

Urea Subsidy Scheme

For sustained agricultural growth, it is imperative that Urea is made available to farmers at affordable prices. With this objective, urea is sold at statutorily notified uniform MRP. The difference between the delivered cost of urea at farm gate and net market realization by the urea units is given as subsidy to the urea manufacturer/importer by the Government of India.

At present, there are 33 operational urea manufacturing units across the country having total installed capacity of 245.64 Lakh Metric Tonne. To decide the subsidy payable to the individual unit, Concession rate i.e. the normative cost of production of each of the urea manufacturing units are calculated as per extant policy provisions notified vide various notifications with the approval of CCEA from time to time. The components of concession rates are as under: -

(i) Variable cost which includes:

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

(ii) Conversion cost or fixed cost:

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

Concession rate (Normative Cost of production) of the urea manufacturing units are calculated as per policy provisions of the following notifications:

(i) New Pricing Scheme (NPS)-III and Modified New Pricing Scheme (NPS)-III: NPS-III and MNPS-III were notified on 8th March, 2007 and 2nd April, 2014 respectively**.** These policies are regarding compensation of fixed cost and variable cost e.g. the cost of bag, water charges & electricity charges to continue till further orders.

(ii) New Investment Policy (NIP) – 2012: The Government had announced New Investment Policy (NIP)-2012 on 2nd January, 2013 and its amendment on 7th October, 2014 to facilitate fresh investment in urea sector and to make India self-sufficient in the urea sector.

(iii) New Urea Policy (NUP) – 2015: Based on CCEA decision, vide notification dated 25th May, 2015, Department of Fertilizers notified New Urea Policy – 2015 (NUP-2015) with the objectives of maximizing indigenous urea production, promoting energy efficiency in urea production and rationalizing subsidy burden on the government. The revised energy norms for 25 urea units of New Urea Policy-2015 were determined and notified on 15th October, 2015.

(iv) Uniform Freight Policy (UFP) -2008: Uniform freight policy (UFP) has been implemented with effect from 1st April, 2008 vide notification dated 17th July, 2008. The objective of the UFP is to ensure availability of fertilizers, especially during the peak demand period, in all parts of the country and to implement the freight reimbursement in line with NPS-III. Based on the recommendations of Tariff Commission, the slab-wise rates in respect of primary road movement upto 500 Kms are notified annually. The escalated/de-escalated Per Tonne Per Kilometer (PTPK) rates for road transportation in the case of secondary movement of fertilizers are also notified by Department of Fertilizers.

(v) Exclusive subsidy policy for Urea produced through coal gasification route by Talcher Fertilizers Limited (TFL): Considering the strategic advantage of the location of erstwhile Talcher Fertilizers Plant in close proximity with the coal mines and developing an alternate feedstock for manufacture of urea, the Department of Fertilizers explored the possibility of reviving the Talcher Fertilizers plant through Coal Gasification route. Accordingly, it was decided to revive the erstwhile Talcher plant of FCIL on coal gasification technology on nomination basis through a consortium of Rashtriya Chemicals and Fertilizers (RCF), Gas Authority of India Limited (GAIL) and Coal India Limited (CIL). The Cabinet Committee on Economic Affairs(CCEA) in its meeting held on the 20th April, 2021 has approved that the concession rate/subsidy for the urea produced through coal gasification route by Talcher Fertilizers Ltd (TFL) for a period of 8 years from the date of start of production.

3.8 When the Committee desired to know as to how BE 2022-23 will affect the long term National Policies/ goals of the Fertilizer Subsidy Policy and new policy initiatives being considered by the Department for implementation, the Department in it's written reply stated as follows:-

Nutrient Based Subsidy: The BE 2022-23 for the Nutrient Based Subsidy (NBS) scheme may help in the balanced fertilization of the Indian farmlands which is already inclined towards the Nitrogenous fertilizers. DoF envisages that the P&K fertilizers which are 100% indigenously manufactured (like SSP & PDM) may be used in more and more quantity by farming community. Further, DoF also envisages that more and more number of long-term agreements may be done with the countries having huge reserves of raw materials of P&K fertilizers so that these fertilizers can be made sufficiently available at reasonable prices in fiscally prudent way.

Urea Subsidy

The following objectives/goals are expected to be achieved through the continuation of the extant urea policies:

- To ensure timely availability of adequate quantity of urea at statutory controlled price to the farmers.
- To optimize indigenous urea production

- .To rationalize the subsidy outgo of the Government.
- To enable urea units in sustaining their operations and energy efficiency.
- To fill up the gap between assessed demand and estimated production through imports

City Compost

The Government had approved a policy on promotion of city compost which was notified by the Department of Fertilizers on 10.02.2016. Under the scheme, a Market Development Assistance of Rs. 1500/M.T was provided for scaling up production and consumption of city compost.

The scheme of Market Development Assistance (MDA) has been discontinued after 30th September, 2021 based on the review of the MDA Policy and recommendations of Expenditure Finance Committee (EFC) in its meeting dated 2nd August, 2021.

3.9 During oral evidence on Demands for Grants 2022-23, the Secretary DoF informed the Committee about cost effectiveness of indigenously manufactured SSP as below":-

"As I told earlier, SSP is an indigenous fertiliser. It is 100 per cent manufactured in India and we are not importing it. We have 111 manufacturing units of SSP. The total production of SSP during the rabi season of 2020-21 and 2021-22 was 23.66 LMT and 21.53 LMT respectively. Farmers use two bags of SSP with 20 kilograms of urea to substitute one bag of DAP. It has been practised by the farmers for last many years. Last year, the Rajasthan Government has issued order that this should be made the standard practice in order to substitute the DAP. It is very cost effective also. That is why, it is known as the poor man's DAP also. As a result, 51 per cent increase was witnessed in SSP sale in rabi 2021. We are now planning to include SSP fertilisers in the freight subsidy scheme also to facilitate its availability in other States. Right now, the usage of SSP industry is limited to the States where it is produced. As Rajasthan has most of the plants, it is used mainly in Rajasthan, Madhya Pradesh and in some parts of Haryana, Maharashtra and Gujarat".

3.10 When it was asked to furnish a note on the system of monitoring and control over the performance of the schemes/ programmes being implemented by it, DoF stated in its written reply as below:-

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

NUP-2015 covers 25 gas based existing urea units. As per NUP-2015, the existing gas based urea units were classified into three groups based on their preset energy norms. The target Energy Norms were given to the 25 urea manufacturing units for the year 2018-19 onwards. However, only 11 urea manufacturing units were able to achieve the target energy norms. The target energy norms for the remaining 14 urea manufacturing units were extended from time to time with appropriate penalties. The target energy norms have been enforced on all 25 urea manufacturing units w.e.f.1st October, 2020. .....

After getting the gas pipeline connectivity, MFL-Manali, MCFL-Mangalore and SPIC-tuticorin have started their production on natural gas feedstock since 29th July, 2019, 12th December, 2020 and 13th March, 2021 respectively.

Further, the objectives of NUP-2015 are being achieved as under:

(i) Actual energy consumption for 18 units out of 25 units have reduced which means these units have become more energy efficient by 2019-20 in comparison to the 2014-15 i.e. pre NUP-2015 period.

(ii) The revised energy norms i.e. the target energy norms of NUP-2015 which have been enforced on all the units w.e.f. 1.10.2020 is estimated to save subsidy outgo of the Government Exchequer to the tune of **Rs.2820.69 Crore** per annum in comparison to NPS-III norms i.e. the norms earlier to NUP-2015.

(iii) NUP-2015 has resulted in additional production of 20 LMT during the year 2015-16, without adding any capacity. The production of urea during the year 2015-16, 2016-17, 2017-18, 2018-19, 2019-20 and 2020-21 was 244.75 LMT, 242.01 LMT, 240.23 LMT, 238.99 LMT, 244.55 LMT and 246.03 LMT respectively, which is significantly higher than 2014-15."

(iv) Therefore, it can be inferred that post implementation of NUP-2015, there has been significant increase in indigenous urea production and urea manufacturing units have become more energy efficient which in turn has resulted in rationalization of the subsidy burden of the Government.

For NBS- Government has implemented Nutrient Based Subsidy Policy w.e.f. 1.4.2010 for Phosphatic and Potassic (P&K) Fertilizers. Under the policy, Govt. has been providing a fixed amount of subsidy, decided on annual basis, on P&K fertilizers depending on their nutrient content.

Some of the key objectives for the NBS scheme were –

(i) To promote balanced use of fertilizers
(ii) To improve availability of fertilizers to farmers and consequently increase in food grain production and
(iii) To encourage competition among fertilizer companies

The performance of the NBS scheme may be evaluated on the parameters of the above mentioned objectives. Some of the actions taken by DoF in this regard are:

1. Third Party evaluation of the NBS scheme has been carried, as required by D/o Expenditure for continuation of central govt. scheme. The report recommended the continuation of the NBS scheme as it is partially or completely meeting its objectives.

2. In the wake of the rising international prices of finished P&K fertilizers and its raw materials for production, it became important for the Govt. to make P&K fertilizers sufficiently available in the market to sufficiently meet the food production targets.

   Govt. of India kept a close watch on this increase in the international prices. Accordingly, GoI has notified NBS rates twice vide. NBS notification 20.05.2021 and 13.10.2021, keeping in view of the increase in the international prices and its objectives of sufficient availability of P&K fertilizers to farming community.

3. DoF has also been assessing the season-wise requirement of P&K fertilizers in consultation with DA&FW and to ensure adequate and timely availability of fertilizers to the farmers in all parts of the country. Accordingly, it prepares agreed supply plan in consultation with Manufacturers/importers to fulfil the monthly requirement in the country. The movement of all major fertilizers including P&K fertilizers is monitored through an Online web based monitoring system i.e. integrated Fertilizers Monitoring System (iFMS) & e-Urvarak Dashboard.

4. In order to ensure that the subsidy on the fertilizers reached to the farmers, the system of Direct Benefit Transfer (DBT) system in fertilizers was also introduced. Under this 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 (including P&K 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, Identity card etc.

For City Compost

The Government had approved a policy on promotion of city compost which was notified by the Department of Fertilizers on 10.02.2016. Under the scheme, a Market Development Assistance of Rs. 1500/MT was provided for scaling up production and consumption of city compost.

The scheme of Market Development Assistance (MDA) has been discontinued after 30th September, 2021 based on the review of the MDA Policy and recommendations of Expenditure Finance Committee (EFC) in its meeting dated 2nd August, 2021.

3.11 The Department had proposed a requirement of Rs. 176718.64 Crore for BE 2022-23 for its fertilizer subsidy schemes. However, it has been allocated only Rs. 109202.42 Crore by Ministry of Finance for 2022-23. When asked as to how will the decrease in allocation by Rs. 67516.22 Crore affect the Urea and NBS subsidy Schemes, the Department in their written reply informed as under:-

Department of Fertilizers had sent a proposal to Department of Expenditure (Expenditure Finance Committee-EFC) for the continuation of schemes relating to Urea Subsidy from 2021-22 to 2025-26 with total estimated outlay of Rs.3,11,458.64 Crore.However, EFC in its meeting held on 2nd August, 2021 recommended as under:

(i) Urea Subsidy Scheme as per the present proposal may be continued for one year till 31.03.2022 with the outlay of Rs. 60, 467 Crore, subject to the following:

(a) Department of Fertilizer should formulate a single consolidated policy for urea subsidy in one year and come back for EFC appraisal and approval for further continuation of the scheme beyond 31.03.2022.

(b) Meanwhile, DoF in consultation with NITI Aayog should also examine and come up with a subsidy mechanism pegged to import parity price of urea or NBS or any other objective criteria. The domestic price of urea should be market determined and not fixed. The subsidy should not be calculated unit wise but be based on some objective criteria as mentioned above.

(c) It may also be examined if urea can be brought under Nutrient Based Subsidy Scheme.

(d) It may be ensured that nitrogen subsidy under urea subsidy policy as well as under Nutrient Based Subsidy (NBS) policy should be at par.

(e) The policy of DBT of fertilizer subsidy to the farmers may also be explored.

Subsequently, Department of Expenditure vide OM No. 01(01)/PFC-I/2022 dated 1st February 2022 has conveyed that the Cabinet vide its decision dated 19th January 2022 has approved that the scheme may be continued only up to 30th September, 2022 or such shorter period as may have been approved by the EFC.

It may be seen that the EFC has recommended that Urea Subsidy Scheme may be continued for one-year subject to the condition that Department of Fertilizer should formulate a single consolidated policy for urea subsidy in one year and come back for EFC appraisal and approval for further continuation of the scheme beyond 31.03.2022. EFC has also recommended examining and coming up with a **subsidy mechanism pegged to import parity price of urea or NBS or any other objective criteria**. Further, EFC recommended that the domestic price of urea should be **market determined and not fixed.** The subsidy should not be calculated unit wise but be based on some objective criteria.

In compliance to the recommendations of EFC, Department of Fertilizers has constituted a committee under the chairmanship of Joint Secretary (Fertilizers) comprising of representatives from Fertilizer Association of India (FAI) and urea manufacturing companies of Public Sector Undertakings, Cooperative Sector and private Sector, to review the urea policies. The matter is presently under examination of the committee. However, **it is imperative to continue the Urea**

Subsidy Scheme in its current form till March 2025 in view of the followings:

a) Urea Manufacturing units across the country are heterogeneous in terms of vintage, feedstock etc. The extant policy provisions relating to urea subsidy scheme have helped the units in becoming efficient in terms of energy consumption and also helped in bringing homogeneity to some extent. In case of urea, the MRP is statutorily fixed to make the urea available to farmers at an affordable price. Subsidy outgo keeps fluctuating with the fluctuation in the cost of various variable components of the concession rates namely costs of natural gas, water, power/electricity and bag.

b) Production of urea in the country does not commensurate with the demand and the demand supply gap is filled with imports. Cost of indigenous urea usually remains higher than that of the Imported Urea. However, during current financial year (2021-22) the imported urea cost has exceeded the level of US$500 (Rs.37500/MT @1USD=Rs.75). Further, Availability and prices of the Imported Urea is always volatile and depends upon demand-supply dynamics. Therefore, it is important to sustain the current level of domestic production of the urea.

c) **Target Energy Norms (TENs) given to the** units under New Urea Policy-2015 are allowed till March 2025. Urea units have invested huge capex in Energy Saving Schemes (ESSs) to achieve the TENs presuming that these units would be able to recover their investment through energy savings.

d) MFL-Manali, MCFL-Mangalore and SPIC-Tuticorin have recently converted from Naphtha to Natural Gas as feed stock. These units are allowed to keep the energy savings with reference to energy norms of New Pricing Scheme State-III (NPS-III) for a fixed period of 5 years to recover their investment made for conversion of these units from Naphtha to Gas based. The period of 5 years would be over by March, 2025.

In view of the above, it is imperative to continue the Urea Subsidy Scheme in its current form till March 2025. Therefore, the Committee may recommend for the continuation of the Urea Subsidy Scheme in its existing form till March 2025.

Against the projection of **Rs.72128.00 cr**, an amount of **Rs.46596.78 cr** have been allocated under BE 2022-23. As the allocated amount is not sufficient to meet the projected requirement of subsidy funds for the year 2022-23, the requirement of Additional funds will be re-assessed and demanded at the time of RE/Supplementary for 2022-23.

Reduction in BE for 2022-23 does not mean that no upward revision would be given in case there is requirement for funds for grant of subsidy in case the situation of increased prices of inputs and fertilizers arises. Department of Fertilizers will seek further funds for meeting the requirements at RE stage.

In the absence of less budgetary allocation in BE 2022-23, the FS Division may not clear all the claims in respect of Indigenous P&K, Imported P&K and Imported Urea. M/o Finance will be requested to provide further budgetary allocation for Subsidy Head(s) 2401 & 2852 in the 1st stage of Supplementary.

3.12 During oral evidence of the representatives of DoF on Demands for Grants 2022-23, a Member of the committee pointed out that fertilizers manufacturing units in Kanpur and Kota are facing closure due to their inability to switch over to new energy norms. Since one thousand workers are working in these units, the Committee wanted to know the corrective steps being taken by the Department thereon. In this regard, Secretary, DoF informed the Committee as under:-

□□□□□, □□□□□ कई □□□□□□ □□□□□□ □□□□
□□□ य □□□□ □□□□□□ 2015 □□□ □□□
□□ □□□□□ □□□□ □□□ □□□□□□ □□□□□□, □□□
□□□□ □□□□□□ और □□□□□□ □□□□□□□
□□□□ □□□-□□□ □□□□
□□□□□□ □□□□□ शकए गए □□□ □□□□□ □□ □□□
□□ □□□□□□□, □□□□ □□□□□□□ □□□□
□□□□□□ □□ □□□□ □□□□□□
□□□□□ □□□□□□ □□□□□□□, □□□□ □□□□□□□
□□□□□□ □□□□ □□□□ □□□□□□ □□ 6.5
□□□□ □□□ वषट 2018 □□□ कर
□□□□ □□□ □□, □□□□□□ □□-□□ □□□ □□
□□□□□ □□□□ □□□ □□ शक आप □□□□
□□□□□□ □□ □□□□□□□□ □□□□, □□□□
□□□□□□□□ □□□□□□ □□ □□□□ □□□□ □□□ गए
और अब □□□□□ □□□ □□ गई □□, □□ □□□□
□□□□□□□ □□□□
□□□□□ □□ कट गई □□□ इस वजह □□ □□□□□□
□□□□ □□ □□□ □□□ □□□□□ □□ □□□□□ □□□
□□□□ □□□□□□ □□□□□□

<u>Continuance of Nutrient based Subsidy Scheme (NBS)</u>

3.13 In respect of the Mid-term appraisal of scheme/programmes of the Department and corrective steps taken, thereto, the Department has conveyed that the <u>NBS Scheme continuation</u> has been appraised by the EFC committee for its continuation for the period of 5 years viz. 2021-22 to 2025-26. Further, for each FY, DoF has been taking approval of the CCEA for notifying NBS rates. In this regard, DoF has notified NBS rates twice in FY 2021-22 viz. notification dated 20.05.2021 and 13.10.2021.

3.14 In this regard, the Department when asked to convey the gist of recommendations of M/s Santak Consultation Pvt. Ltd. regarding the Nutrient Based Subsidy Policy (P&K fertilizers both indigenous and imported and City Compost) of the Government, furnished in writing the following information:

"Major Recommendation are as under:

1. The continuation of NBS scheme is necessary and the objective of `availability at subsidized / reasonable price' has been met, though some constraints like decreasing subsidy on NBS products and keeping constant pricing of Urea results in overall decrease in the demand and consumption of NBS products.

2. It is strongly felt that the entire industry needs to be decontrolled as soon as possible so as to realize the full potential.

3. Special package needs to be provided to augment the manufacturing facilities so as to reduce the import dependency.

4. DoF should take measures to encourage and enhance investment in the fertilizer sector in close coordination with Ministry of Finance, even if a one-time special incentive package is to be designed for setting up of new manufacturing facilities

5. Leave open MRP to be fixed by fertilizer manufacturer/importer at a reasonable level and make availability of P&K fertilizers to farmers and at affordable prices.

6. More and easily accessible Soil testing facilities should be provided for periodic soil testing.

7. Transportation cost is very high to bring fertilizers from retailer/distributor to rural areas, something needs to be done.

8. Till the time the subsidy regime is done away with, DA&FW/DoF may establish a mechanism to ensure the requirement of fertilizers is assessed in advance based on month-wise and State-wise demand of fertilizers projected by DA&FW and Co-ordinate the arrangements for supplying the required quantities of fertilizers.

3.15 In reply to a question of the Committee on the steps taken to facilitate early and timely decision on continuation of the NBS Policy, DoF stated in writing that the Expenditure Finance Committee under Secretary(Expenditure) has approved the continuation of NBS scheme for 5 years (2021-22 to 2025-26). The same has also been approved by Cabinet. Subsidy rates is under consideration.

3.16 In regard to the action taken on other major recommendations of the Third Party Evaluation, DoF furnished the following information in writing:-

"Some of the important recommendations on which DoF has taken steps to comply in consultation with DA&FW in order to resolve issues reported by third party are:

(a) Recommendation made:Special package needs to be provided to augment the manufacturing facilities so as to reduce the import dependency.

Steps taken: P&K Division has been facilitating the manufacturing sector. Special additional subsidy support is also envisaged for additional manufacturing of DAP in India. It has also notified PDM under the NBS scheme which is totally indigenous. SSP usage is also promoted by DoF which is 100% indigenously manufactured fertilizer.

(b) Recommendation made: A well-defined road map for achieving each objective of the NBS policy, which may, inter alia, indicate quantifiable deliverables and specific timelines for achieving the objectives, need to be laid down.

Steps taken: DoF is working on the availability of P&K fertilizers at affordable prices. More indigenous fertilizer usage to have low variability in prices and to support balanced fertilization is objective DoF seek through NBS scheme. For it, DoF has taken following steps:

1. On exploration of minerals for raw materials for DAP & other fertilizers in India, discussion is in place with Ministry of Mines, GSI, MECL & PDIL.

2. PDM or Potash Derived from Molasses (0-0-14.5-0) has included under NBS scheme to promote indigenous source of fertilizers.

3. Promotion of SSP through engagement of State Govt.

4. Discussion with different countries for long term agreements.

(c)Recommendation made: DoF should take measures to encourage and enhance investment in the fertilizer sector in close coordination with Ministry of Finance, even if a one time special incentive package is to be designed for setting up of new manufacturing facilities. Thus, immediate adoption of a result orientated approach to promote growth of domestic production of P&K Fertilizers as well as Urea is recommended.

Steps taken: Following actions has been taken in this regard:

1. Manufacturing plant of Madhya Bharat Agro product Limited Unit-II, Banda Sagar, MP for production of 1,20,000 MT per annum has started.

2. Permission to Paradeep Phosphates Ltd to manufacture additional DAP/NPK complex to the tune of 8 LMT per annum utilizing the 2 trains of ZACL Goa Plant.
3. A new DAP/NPK Plant by RCF with annual capacity of 5 LMT and investment of 950 Crore in Thal is expected to start production in 2024.

4. A new DAP/NPK Plant with annual capacity of 5.5 LMT at a cost of Rs 537 cr. Commissioning in June 2024.

City Compost

3.17 The Department on being requested to provide the details regarding schemes and programmes which have either been closed or proposed to be closed during 2021-22 and details of new initiatives including new schemes/Programmes proposed to be started during the year, furnished its written reply as under:

> "The policy on promotion of city compost was introduced in 2016. For evaluation of policy on promotion of city compost scheme for continuation beyond 14th Finance Commission i.e. beyond March, 2020 onwards, the Department of Fertilizers, Ministry of Chemical and Fertilizers had awarded the contract to M/s Santek Consultants Pvt Ltd., for carrying out the study on impact of policy of providing Market Development Assistance (MDA) to promote use of City Compost and for suggesting improvement/recommend the most appropriate and effective mechanism including administrative methodology of the policy. Based on the recommendations/suggestions of the agency, EFC proposal for continuation of scheme was prepared. The scheme of policy on promotion of City Compost was, however, reviewed in the Expenditure Finance Committee (EFC) meeting held on 2nd August, 2021 and on the recommendations of the Committee, the scheme has been discontinued after 30th September, 2021."

3.18 In this regard the Committee asked for the reasons for discontinuation of the MDA for promotion of use of City compost and the Ministry's inability to convince the EFC inspite of the Standing Committee's recommendations for promotion and popularization of city compost and upward revision of budgetary allocation for the scheme. In its written reply, DoF furnished following reasons:-

> "The Expenditure Finance Committee (EFC) chaired by Finance Secretary & Secretary (Expenditure) in its meeting held on 02.08.2021 reviewed continuation of ongoing scheme of 'Policy on Promotion of City Compost' during 2021-22 to 2025-26 and observed that promotion of city compost is very small. There are already component for organic manure/compost etc. under larger schemes of other Ministries viz. Department of Agriculture & Farmers' Welfare (DA & FW), Ministry of Agriculture and Farmers' Welfare & Ministry of Housing & Urban Affairs (MoHUA) and it is the policy of the Government to rationalise the number of schemes and avoid duplication. The Expenditure Finance Committee (EFC) recommended that as there are similar schemes in other Departments with larger budget and better field presence, promotion of city compost scheme should be discontinued by September, 2021.

3.19 When asked to furnish the major recommendations of M/s Santak Consultation Pvt. Ltd. regarding the City Compost scheme as part of NBS Policy, DoF in its written reply furnished the following on City Compost:-

“The major recommendations of Santek Consultants Pvt. Ltd. were as mentioned below:

(i) The study finds that quality of city compost depends upon segregation of waste. Municipal solid waste collected from different sources is highly heterogeneous in physical as well as chemical properties. It comprises non-decomposable materials like plastic, rubber, building debris, glass pieces, metals, canes and some of the hazardous wastes of small-scale industries located in municipal areas along with bio-degradable fractions generated from households, hotels, restaurants, vegetables markets etc. The study suggests that all Municipal Corporations across the country should launch a two-bin system in all wards to encourage segregation of dry and wet waste.

(ii) The study finds that the price of city compost needs to be reduced and made available to the farmer at reasonable price. It should not be an additional burden on the farmer as additional input cost. It was suggested that the Ministry should undertake the feasibility study and research studies with regard to the price of the compost, its usage, its benefits and its cost effectiveness.

(iii) The study observed that the farmers prefer using Urea which has an immediate impact on the soil. There is an urgent need to popularize city compost and remove misconceptions among farmers that it is soil conditioners and its benefits on the soil would be visible after continuous use of 2 to 3 years. Agriculture research institutions including state agriculture universities should be commissioned to carry out long term experiment to study the effect of application of city compost on soil health.

(iv) The study observed that to ensure quality of city compost random samples should be drawn at storage centers of stock received.The sample(s) have to be drawn by authorized inspectors and sent for chemical analysis to any notified laboratory by the State Government. Besides, random samples of city compost may be drawn at the concerned delivery centers jointly with the representative of supplier. Such samples should be sent to any notified laboratory by the State Government for analysis of stock as per specification under FCO.

3.20 During the course of oral evidence on DFG 2022-23, when the Committee sought reasons for the stopping subsidy on City Compost Scheme, the representatives of the Department of Fertilizers replied as under:-

> “As you asked why the City Compost Scheme has stopped. This scheme was launched in 2015-16 under Swachh Bharat Mission. It was primarily catering to the city areas as in whatever waste is generated in the city areas should be converted in the form of compost and that should be utilized. A provision in the scheme was prepared by the Fertilizer Department to provide Rs. 1500 as market development assistance. But the scheme also involved the municipalities and municipal corporations because the manufacturers had to get the license from the municipalities to set up the plant and then get registered with the Fertilizer Department. But there was not much off-take

because of the restrictions. It was limited to the city areas whereas there was a lot of demand in the rural areas that and they asked why we did not widen the scope of this scheme for the other organic fertilizers which are manufactured in the rural areas. So, the scheme expenditure was very limited.

When this was being discussed in the Department of Expenditure, at EFC stage, they did not approve it by saying that it is a very small scheme, it should be shut down. You come up with the new scheme where the scope is more and the budgetary provision is also there. We are now designing the scheme with all these components of the organic fertilizers and other different components which have been registered under Fertilizer Control Order. They are being incorporated and the assistance will be given, the aggregators will be allowed, the draft scheme is ready. …our scheme of MDA for city compost is discontinued but there are a lot of queries and requests from different corners of the country for having assistance for other organic and bio-fertilizers since the quantum of assistance that we provide to chemical fertilizers is much more, like we are giving Rs. 1.2 lakh Crore. Based on that, we have initiated a process for MDA that is Market Development Assistance. Therein, we will be allowing both assistance for marketing of both bio-fertilizers as well as organic fertilizers. We will be taking up organic fertilizers. Since city compost can have some toxic substances like lead and other things. There are lot of reservations and there are difficulties in getting it tested. It is getting passed without removing the lead content which is found to be dangerous in the fields. So, that was one of the reasons apart from expenditure reasons.

City compost was not taken up by the farmers in a positive way. So, City Compost is removed but other organic fertilizers which are covered under FCO will be brought under this MDA scheme. Apart from that, there are bio-fertilizers which are nothing but microorganisms. They will be bound with the carriers. Those bio-fertilizers are nitrogen fixers, phosphate fixing bacteria as well as potash solubilising bacteria and also micronutrient stabilising bacteria. These will be promoted. So, we are coming up with the scheme and EFC will be submitted for approval. Market Development Assistance will be given for organic fertilizers and bio-fertilizers both. We have proposed Rs. 1500 per metric tonne assistance for organic fertilizer and Rs. 30 per kg for bio fertilizers as Market Development assistance. We have so many MSMEs also in this sector and we have big companies like RCF and all. So, what we are thinking is that we will have aggregator model for marketing.

The aggregator system is proposed in the MDA scheme wherein the big companies act as aggregators and they take these products from MSMEs. That could be an FPO, a village level entrepreneur or gaushalas. So, we have given some particular production targets like 1000 metric tonnes. I do not remember exactly right now. We have said that if you have the target of production, above that, you will be qualified for getting registered on our IFMA system. So, the aggregator will register himself under iMFS system. Based on the aggregated amount that he sells it in the market, he will get the market assistance. That is the system we are going to do. Before he sells batch-wise, he should get it tested because there is a lot of hue and cry about the quality of these organic fertilizers. So, each batch has to be certified and then that has to be attached with the bills whenever he submits them. Then accordingly he will be given the MDA assistance. That is the scheme we are going to come up with. I think if it passes through, many of the bio and organic fertilizers can be covered under that."

Regarding Urea subsidy Policy

3.21 The Ministry has conveyed that, "Draft CCEA Note for continuation of ongoing Urea Subsidy Scheme from 01.04.2021 to 31.03.2024 has been circulated among the concerned Ministries for Inter-Ministerial Consultation.

3.22 In this regard, the Department when asked to clarify the reasons for delay in decision making by the concerned Ministries regarding continuation of ongoing Urea subsidy scheme / initiatives taken to facilitate early decision in the matter and how the delay, if any will affect the farmers and the fertilizer manufacturers, etc., furnished its written reply as under:

> …..As stated by Department of Expenditure in its OM dated 23rd September, 2021, Ministries/Departments which had submitted their complete/consolidated proposal for continuation of schemes to the Department of Expenditure before 30th September 2021, are allowed to continue to release funds under these schemes beyond 30th September, 2021. It is stated that DoF had submitted the proposal before the said date and the proposal of Department of Fertilizers was discussed by Expenditure Finance Committee (EFC) in its meeting held on 2nd August 2021 and EFC has recommended for the continuation of urea subsidy scheme upto 31st March 2022. Accordingly, urea subsidy scheme is continued as on date. Therefore, it may be stated that as per the procedure laid down by Ministry of Finance, there has not been any delay in decision making regarding necessary approval for the further continuation of the urea subsidy scheme beyond 31.3.2021. Further, there is no effect on farmers and the urea manufactures, etc., as there is no delay in the implementation of scheme and the Urea subsidy scheme is continued as on date.
>
> Department of Fertilizers submitted the proposal for continuation of Urea Subsidy Scheme for 5-year period from 2021-22 to 2025-26 for the appraisal of EFC. During its meeting held on 2nd August, 2021, the EFC recommended that Urea Subsidy Scheme as per the present proposal may be continued for one year till 31.03.2022. EFC has also recommended that:
>
> a) Department of Fertilizer should formulate a single consolidated policy for urea subsidy in one year and come back for EFC appraisal and approval for further continuation of the scheme beyond 31.03.2022.
> Meanwhile, DoF in consultation with NITI Aayog should also examine and come up with a subsidy mechanism pegged to import parity price of urea or NBS or any other objective criteria. The domestic price of urea should be market determined and not fixed. The subsidy should not be calculated unit wise but be based on some objective criteria as mentioned above.
>
> b) It may also be examined if urea can be brought under Nutrient Based Subsidy Scheme.
>
> c) It may be ensured that nitrogen subsidy under urea subsidy policy as well as under Nutrient Based Subsidy (NBS) policy should be at par.

d) The policy of DBT of fertilizer subsidy to the farmers may also be explored.

With regard to EFC recommendation, Department of Fertilizers has initiated the process. The draft CCEA Note prepared by Department of Fertilizers for Continuation of ongoing urea subsidy scheme for three years (till 31.03.2024) was sent to Department of Expenditure on 2nd November, 2021. Department of Expenditure vide OM dated 10th November 2021 requested to undertake fresh Inter-Ministerial Consultations before submitting the Draft CCEA Note to DoE for the approval of Finance Minister. Accordingly, Department of Fertilizers circulated the draft CCEA note among concerned Ministries/Departments on 22nd November 2021. After receiving the comments of all other Ministries/Departments and incorporating the counter comments, Department of Fertilizers vide OM dated 17th January 2022 has forwarded the draft CCEA Note to the Department of Expenditure for further necessary action/approval.

3.23 On being asked to convey the gist of recommendations of the Third Party evaluation Report on Urea Subsidy (i.r.o. indigenous/imported urea subsidy, Direct benefit transfer of fertilizer subsidy to farmers, promotion of R&D in urea and other fertilizers, etc.) conducted by Centre for Market Research & Social Development (CMSD), DoF in its written reply conveyed about the following recommendations made in Third Party Evaluation Report:-

a) There is the necessity for continuation of the urea subsidy scheme to help the urea industries, farmers and the agriculture sector.
b) Urea Subsidy Scheme has a great impact on agricultural sector in increasing crop yield and reducing the expenditure of farmers for cultivation. Due to the scheme, most farmers get their full requirement of urea, of good quality and in time.
c) Urea Subsidy Scheme has resulted into energy efficiency of urea industries.
d) It will not be suitable option that the subsidy could directly be transferred in the accounts of farmers since DBT to farmers is a complex system. This, it is suggested that under the scheme, subsidy amount to the manufacturing/ importing companies should be given as per the current policy.
e) Necessary modalities should be developed to reduce the delay in release of subsidy amount to the manufacturing/ importing companies.
f) The upcoming new urea units which have been set up under NIP-2012 are likely to bring Self-sufficiency in urea production and would help in reducing the subsidy burden.
g) Neem coated urea has benefitted the farmers and due to introduction of 45 kg bags of urea farmers are using less amount of urea for cultivation.
h) Awareness programmers are required to be conducted in the villages to make farmers aware about soil testing and balances use of urea.

3.24 When asked to elaborate; whether as per the Third Party evaluation Report the Urea subsidy Policy is presently meeting the objectives of the scheme for ensuring timely and adequate quantity of availability of urea at statutory controlled prices, etc. and the future proposals of the Ministry for improvements in the policy implementation, the Department in its reply submitted as under:

> "It is evident from the gist of recommendations mentioned in the reply of previous question that urea policy is meeting the objectives of the scheme and ensuring timely and adequate quantity of availability of urea at statutory controlled prices, etc. Further, as recommended by the EFC, Department of Fertilizers is in process of preparing a single consolidated policy for urea subsidy."

CHAPTER-IV

FERTILIZERS SECTOR –PRODUCTION/ R&D/ IMPORT/ DISTRIBUTION AND BALANCED USE OF FERTILIZERS.

PRODUCTION OF FERTILIZERS

4.1 During the course of evidence, the Department in its Power Point Presentation while giving a brief glance of the Fertilizer Industry conveyed as under:-

> "Urea production and import is totally controlled by the Government of India which is governed under various urea policies. The P&K fertilizers, on the contrary, come under the open general license. Here, the companies are free to manufacture, import and trade based on their commercial considerations. The Government's role is limited only to fix the subsidy under NBS, which is a nutrient-based subsidy scheme which is applicable for all the P&K fertilizers, including DAP, NPK and SSP.
>
> The Department of Fertilizer monitors the movement and the availability of fertilizers as per the Fertilizer Control Order and the Movement Control Order. So far as urea is concerned, we have 34 urea plants which produce 245.64 LMT every year and rest of the urea is imported, the figures of which we will give in the latter slides. There are 21 DAP/NPK plants, which are inter-changeable and they produce 131 LMT of NPK and DAP put together every year. SSP is a domestic industry. It is not imported. It is totally manufactured in the country. There are 111 SSP units whose combined production is around 50 LMT every year. On the contrary, MoP, that is, potash is 100 per cent imported. It is not mined or manufactured in India. We are totally dependent on the imported MoP. It is used as an independent fertilizer as well as raw-material for manufacturing DAP and NPK. …..
>
> I would like to inform the august Committee that world's first nano urea has been developed in the country which has the potential to replace the conventional urea."

4.2 During the course of evidence when the Committee desired to know about the measures envisaged by the Department in the present Demands for Grants for achieving self-reliance in the area of fertilizers in our country/ to increase the production of organic fertilizers/ details of countries with which we have MoUs to set up fertilizer plants in foreign countries and state of its implementation and upto what extent it can reduce our dependence on import of fertilizers from other countries and the plans to make our fertilizer industry competitive in terms of quality, price and availability, the Secretary to the Department of Fertilizers replied as under:

> "….. You have talked about self-reliance in fertilizer sector. When this Government came into power, it immediately decided to set up modern plant at the locations of old fertilizer plants of FCI, etc. In places like Ramagundam, Sindhri, Barauni and Gorakhpur, plants are coming up. These are the huge plants – 10.7 lakh MT is the production capity every year. Once these plants become operational, 65 lakh MT urea would be produced every year. Then,

we would remain only with around 30 lakh MT would be importing. As on today, we are importing 190-98 LMT every year. Once these plants become operational, imports would come down. This is the scenario with respect to manufacturing of urea. For DAP, RCF is setting up a new greenfield DAP manufacturing plant which will be operational within two years. FACT has also taken decision; they would be setting up DAP manufacturing unit. Private companies also are setting up three plants. IFFCO have taken a share in mining in Jordon, with Jordanian mining company; they have set up the first manufacturing plant; they import the phosphoric acid, which is the intermediary for the manufacture of DAP and NPK. They import from Jordan, take it to Kandla and Pardip and they manufacture NPK and DAP here. they have not set up a fertilizer plant outside; though they have set up their intermediary manufacturing facility outside, and they are importing intermediary for making finished products in the country. The PPL and the Advent Group have joint collaboration with OCP Morocco and they are importing the rough phosphate from Morocco and making phosphoric acid here and in their Paradip facility, they are manufacturing DAP and NPK. Some private companies have their presence outside for manufacture either the mining of the rock or manufacturing of the phosphoric acid. We are importing urea from Oman, Omifco, which is a huge plant in which IFFCO owns 25 per cent share and KRIBHCO owns 25 per cent. So, 50 per cent share is owned by Indian companies there. Because of that, we are importing the urea from Oman.

4.3 When the Department was asked to furnish a break-up of investment made in fertilizer industry during the last three years and the benefits accrued and result thereof and further strategy proposed to attract more investments so as to achieve self-sufficiency in the sector, conveyed in writing as under:

"No investment has been made by the Government of India in PSUs during the last three. …….

4.4 When asked to give an overview of the Indian fertilizers sector detailing the steps taken to increase indigenous production capacity of urea and P&K fertilizers, promotion of balanced used of fertilizers, etc., the Department replied in writing as under:

"Nutrient Based Subsidy: 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 as per details below:

Phosphatic fertilizers	upto 90%
Potassic Fertilizers	upto 100%

However, D/o Fertilizers has been taking the following steps/efforts to increase indigenous production capacity of P&K fertilizers.

Long Term Agreement:

1. An Agreement of Intent has been signed between four Indian PSUs and Russian company for supply of DAP/NPK and its raw materials in 2022.

2. Various efforts by DoF to ensure regular and sufficient supply of P&K fertilizers and its raw materials to India at reasonable prices from various countries which is an ongoing process.

Efforts made for enhancement of domestic production of DAP / NPK fertilizers & Raw Materials

1. DoF granted permission to Madhya Bharat Agro product Limited Unit-II, Banda Sagar, MP for production of 1,20,000 MT per annum.

For Balanced Fertilization

1. Promotion of SSP fertilizers, which is 100% indigenously manufactured, has been initiated by DoF.

2. Subsidy on P&K fertilizers has been increased vide. NBS notification dated 20.05.2021 and 13.10.2021 in order to provide P&K fertilizers to farming community on reasonable prices. This will also help in balanced fertilization as the fertilizer usage in India is more inclined towards Nitrogenous fertilizers.

Urea Subsidy: The Government had announced New Investment Policy (NIP) – 2012 on 2nd January, 2013 and its amendment on 7th October, 2014 to facilitate fresh investment in the urea sector and to make India self-sufficient in the urea sector. Under NIP – 2012 read with its amendment, Matix Fertilizers and Chemicals Ltd.(Matix), Chambal Fertilizers and Chemicals Ltd. (CFCL) and Ramagundam Fertilizers and Chemicals Ltd.(RFCL) have set up new urea plants of 12.7 Lakh Metric Ton per annum (LMTPA) Capacity each at Panagarh-West Bengal, Gadepan-Rajasthan (Gadepan-III) and Ramagundam-Telangana respectively. Matix-Panagarh and RFCL-Ramagundam units are green-field units while the CFCL-Gadepan-III unit is a brown-field unit.

In addition to above, revival of 2 closed units of Fertilizers and Chemicals India Ltd. FCIL namely Gorakhpur and Sindri and 1 closed unit of Hindustan Fertilizers and Chemicals Ltd. (HFCL) at Barauni by means of setting up of new green-field urea units of 12.7 LMTPA at each of the locations is also included under the NIP-2012 read with its amendment. For the revival of Talcher unit of FCIL by setting up a new green-field urea plant of 12.7 LMTPA an exclusive policy has been notified on 28th April 2021.

The Government of India has also notified the New Urea Policy (NUP) – 2015 on 25th May, 2015 for existing 25 gas based urea units with the objective of maximizing indigenous urea production; promoting energy efficiency in urea production; and rationalizing subsidy burden on the Government. NUP-2015 also envisages the provision to incentivize beyond Re-assessed Capacity (RAC) production which has led to additional production from the existing gas based urea units due to which the actual production of urea has increased by 20-25 LMTPA in comparison to the actual production during 2014-15.

4.5 In this regard, when further asked to convey regarding the functioning and performance of various PSUs/Autonomous bodies working under the Ministry of Chemicals and Fertilizers (Department of Fertilizers) and the grants-in-aid given/budget allocation made to them during the last three years, PSU-wise, the Department in its written reply stated as below:

"Government of India is facilitating revival of five closed fertilizer plants of Fertilizer Corporation of India Ltd. (FCIL) and Hindustan Fertilizer Corporation Ltd. (HFCL) i.e. Talcher, Ramagundam, Gorakhpur and Sindri units of FCIL and Barauni unit of HFCL through formation of Joint Venture Companies of nominated PSUs by setting up new Urea Ammonia plants of 12.7 Lakh metric tonne per annum capacity each, in the following states: -

Sl No.	Name of Fertilizer plant	Name of location & State where plant is located	Overall progress as on 31.11.2021.
1	Ramagundam Fertilizers & Chemicals Ltd.	Ramagundam, Telangana	Commercial production started on 22.03.2021
2	Hindustan Urvarak & Rasayan Ltd.	Gorakhpur, Uttar Pradesh	Commissioned on 07.12.2021
3	Hindustan Urvarak & Rasayan Ltd.	Sindri, Jharkhand	92.8 %
4	Hindustan Urvarak & Rasayan Ltd.	Barauni, Bihar	92.5%
5	Talcher Fertilizers Ltd.	Talcher, Odisha	16.71 %

Further, CCEA in its meeting held on 01.08.2018 had approved Interest Free Loal of Rs.1257.82 Crore equivalent to Interest During Construction (IDC) component to HURL projects (Gorakhpur, Sindri and Barauni). In this connection, vide DoF sanction order dated 25.03.2021, Ist instalment of IFL of Rs. 813.24 Crore was disbursed to HURL.

4.6 The Department on being asked to elaborate about the efforts made to encourage and assist the fertilizer PSUs to meet their production targets over the years, replied in writing as under:

"P&K fertilizers sector is a decontrolled sector under the Nutrient Based Subsidy (NBS) scheme. The P&K Division do not set production targets for the P&K fertilizer companies. P&K companies manufactures or imports finished P&K fertilizers on commercially viable terms. The subsidy is also given on the nutrient content on the P&K fertilizers irrespective of being manufactured or imported.

Department has extended support for PSUs in the form of Loans, Grant in aid and asset monetization from time to time. Some of the instances are mentioned below:

FACT: On 24th July 2019, CCEA approved sale of 481 Acres of land to Government of Kerala and utilization of sale proceeds by FACT for enhancing production efficiency and to meet working capital requirement.

MFL: MFL has been granted administrative approval for the sale of two packages of land (4.98 acres and 1 acres).

BVFCL: A Grant –in –aid of Rs.100 Crores was provided to Brahmaputra Valley Fertilizer Corporation Limited for repair and maintenance to sustain operation of urea manufacturing units for the period of 4-5 years.

IMPORT OF FERTILIZERS

4.7 In response to a query regarding the physical targets and achievements for the last three years the Department has conveyed that there are no physical targets as such in the Department of Fertilizers. In this regard, the Department when further asked to specify its plans and programs to enhance the production capacity of both urea and P&K fertilizers and reduce the import dependency in long run, furnished written reply as under:

"Although, P&K fertilizers is decontrolled under the NBS scheme. Further, all P&K fertilizers are covered under Open General License (OGL) regime and are imported by the companies on commercially viable terms, yet Government has taken/ has been taking following Steps to directly or indirectly reduce the expenditure incurred on the import of fertilizers:

(i) Government of India has included Potash Derived Molasses (PDM) under its latest NBS notification dated 13.10.2021. PDM is a 100% indigenous fertilizer. Its increased usage will help in less dependence on international market.

(ii) On exploration of minerals for raw materials for DAP & other fertilizers in India, discussion is in place with Ministry of Mines, GSI, MECL & PDIL.

(iii) Government is also promoting usage of SSP fertilizer which is a 100% indigenous manufactured fertilizer.

4.8 During oral evidence of the representatives of DoF on Demands for Grants, 2022-23, the Secretary, DoF stated regarding usefulness of Single Super Phosphate as below:-

"SSP is an indigenous fertiliser. It is 100 per cent manufactured in India and we are not importing it. We have 111 manufacturing units of SSP. The total production of SSP during the rabi season of 2020-21 and 2021-22 was 23.66

LMT and 21.53 LMT respectively. Farmers use two bags of SSP with 20 kilograms of urea to substitute one bag of DAP. It has been practised by the farmers for last many years. Last year, the Rajasthan Government has issued order that this should be made the standard practice in order to substitute the DAP. It is very cost effective also. That is why, it is known as the poor man's DAP also. As a result, 51 per cent increase was witnessed in SSP sale in rabi 2021. We are now planning to include SSP fertilisers in the freight subsidy scheme also to facilitate its availability in other States. Right now, the usage of SSP industry is limited to the States where it is produced. As Rajasthan has most of the plants, it is used mainly in Rajasthan, Madhya Pradesh and in some parts of Haryana, Maharashtra and Gujarat."

4.9 In its explanation regarding the reasons for percentage decline in allocation of Demands for Grants 2022-23 (compared to RE 2021-22) for Payment of Indigenous Urea for Payment of Import of Urea and for payment of City Compost, DoF conveyed that

i.) Cost of Import of Urea have increased substantially since the preparation of RE 2021-22 and BE 2022-23. Average cost of import of urea was taken $514.46/MT, which has now gone up to $990/MT.

ii) City Compost scheme has been discontinued w.e.f. 31st Sept 2021.

4.10 In this regard, the Department when asked to specify the reasons as to why the cost fluctuations in the international market in the rates of Urea could not be timely and properly assessed, and the mechanism framed to timely assess the fluctuations, if any, replied in writing as under:

"The mandate of Department of fertilizers is to ensure adequate/comfortable availability of fertilizers at the State level based on the requirement assessed by the Department of Agriculture & Farmers Welfare (DA&FW) in consultation with the State Government. Therefore, based on the requirement projected by the DA&FW and the production target of the fertilizer producing companies, Department of fertilizers import Urea to ensure the adequate/comfortable fertilizer in the country for the ongoing cropping seasons.

4.11 The Department when asked to convey the details of proposed long-term MoUs signed with the fertilizer resource rich countries, etc. to establish joint ventures abroad for production facilities with buy back arrangements and for having access to acquisition of fertilizer raw materials and utilize it for domestic production as per needs, so as to off-set the effects of sudden price fluctuations in the international market, replied in writing as under:

"DoF has finalized an Urea off-take Agreement to Import 10 LMT Urea annually for a period of 03 years from OQ trading, OMAN (a trading arm of OMIFCO) under long-term arrangement. The shipments from OQ trading have started to arrive from February 2022."

4.12 When further asked to convey the details of quantity of buffer stock being maintained by the country i.r.o various fertilizer types (both Urea and P&K) so as to off-set the effects of sudden price fluctuations in the international market and save precious foreign exchange, the Department replied in writing as under:

> "Government of India ensures adequate/comfortable availability of fertilizers at the State level based on the requirement assessed by the Department of Agriculture & Farmers Welfare (DA&FW) in consultation with the State Governments. As per existing arrangements, fertilizers are distributed by State Governments through Markfed and dealers/ retailers network. These are stored at various points of supply chain according to the marketing strategy of respective companies in consultation with the State Governments."

4.13 Department when asked to elaborate about the efforts made/proposed to be taken during 2022-23 to incentivize/ augment domestic production of P&K Fertilizers in the country by introducing Production Linked Incentive (PLI) scheme in the fertilizers sector and other measures which may curtail the expenditure on their imports and thus save foreign exchange to accomplish the goals of Aatma Nirbhar Bharat, in its written reply stated as under:

"……**P&K Fertilizers:** India is 90% import dependent in case of Phosphate, either on raw material or finished fertilizer and 100% in case of Potash at present. However, the Govt. of India has taken steps like granting permission for new NPK plant, capacity enhancement for DAP production and additional financial support for additional production for DAP production.

<u>Long Term Agreement:</u>

1. PSUs NFL and RCF has signed agreement with PhosAgro (Russia) for supply of 2.5 LMT DAP, with Saudi Arabia for 3.20 LMT DAP.

<u>Other efforts made :</u>

1. DoF granted permission to Madhya Bharat Agro product Limited Unit-II, Banda Sagar, MP for production of 1.20 LMT per annum.

2. Paradeep Phosphates Ltd is expected to manufacture additional DAP/NPK complex to the tune of 8 LMT per annum utilizing the 2 trains of ZACL Goa Plant.

3. A new DAP/NPK Plant by RCF with annual capacity of 5 LMT and investment of 950 Crore in Thal is expected to start production in 2024.

4. A new DAP/NPK Plant by FACT with annual capacity of 5.5 LMT at a cost of Rs 537 cr. Commissioning in June 2024.

5. On exploration of minerals for raw materials for DAP & other fertilizers in India, discussion is in place with Ministry of Mines, GSI, MECL & PDIL.

6. PDM or Potash Derived from Molasses (0-0-14.5-0) has been included under NBS scheme vide. Notification dated 13.10.2021.

4.14 During oral evidence of the representatives of DoF on Demands for Grants, 2022-23, the Committee were informed regarding overseas agreements as under:-

> "With Oman, long-term agreement has signed with OMIFCO, which is a PSU there, to import 10 LMT urea every year for three years. Supply has begun. The first ship of urea has arrived also. Every month, we will be getting 90,000 MT urea from Oman. With Russia, C2C supply arrangements have been finalised between Indian PSUs and Russian companies for 2.5 LMT DAP/NPK for five years. Supply will start but we do not know what will happen after this situation."

4.15 Thereupon, when the Committee enquired about the alternate plan in this regard, the Secretary, DoF replied as follows:-

> …..the NPK fertilizer comes under OGL, that is, the companies are free to manufacture, import and decide their MRP based on their commercial considerations. The Government acts only to give them support for arranging the quantities. The companies themselves engage and enter into contracts on C-to-C basis and they decide their prices. We do not get into the price mechanism because it is not Urea. It is a completely De-controlled sector, but we do use the diplomatic channel and other channels also. We directly talk to the companies and the counterparts in those countries in order to bring them to the negotiating table so that companies can discuss on bilateral basis and decide the prices. But they should confirm the quantities. Likewise, we are in the process of discussing with Saudi Arabia and other Middle East countries and Morocco also, and we are sure that we will get the quantities, but prices may vary because they may not offer discount this year as a result of this recent development. We will try to secure the quantity, but prices may vary and go up in the future.

Capital Expenditure in fertilizer industry

4.16 Even though Fertilizers industry is a Capital intensive industry only a token allocation has been made in BE 2022-23. In this regard, when the Department was asked to specify the reasons for not seeking sufficient budgetary allocation for capacity expansion, technical up-gradation, modernization of the plants and machinery, promoting energy efficiency and Research and Development, etc. so as to give economic impetus and attain self-sufficiency in the sector, it replied in writing as under:.

> "These token provisions are kept in BE 2022-23 for survival of budget heads and in case any emergent need arises, the funds could be re-appropriated to the concerned heads."

4.17 The Department on being asked regarding break-up of investment made in fertilizer industry during the last three years and the benefits accrued and result thereof and further strategy proposed to attract more investments so as to achieve self-sufficiency in the sector, conveyed that "No investment has been made by the Government of India in PSUs during the last three." In this regard, the Ministry when asked to specify the reasons for not making any investment in fertilizers manufacturing PSU's even though its efficient productivity very much affects the agriculture and food grain production of the country which is the back bone of the nation, conveyed in writing as under:

> "No such investment has been made by the Department. However, a proposal had been received from Rashtriya Chemicals and Fertilizers Limited for setting up a NPK plant at Thal from its own resources and no financial assistance would provide by the Govt of India. Department, vide letter dated 15th November, 2021 has granted administrative approval for this project.
>
> The estimated Capex for setting up of a NPK Complex Fertilizer plant at its Thal Unit, Raigad District in Maharashtra is Rs. 914.58 Crores. The plant capacity shall be equivalent to 1200 MT per day of DAP and it shall be capable of producing various grades of Complex Fertilizers like 20:20:0:13, 12:32:16, 20:20:0:13 etc. as per requirement. The expected completion time for the project is 36 months."

Research & Development activities in fertilizers sector

4.18 On being asked about the efforts made to enhance Research & Development activities in fertilizers sector for development of higher efficiency eco-friendly products so as to achieve self sufficiency in near future, DoF stated in its written reply, "As on date, DoF has not done any Research & Development activities in fertilizers sector for development of higher efficiency eco-friendly products".

4.19 On being asked about the initiatives taken to enhance research activities in fertilizers sector so as to achieve self-sufficiency in various fertilizers types and provision of separate budgetary allocation, the Department in its written reply conveyed as under:

> "Department of Fertilizers took up the matter with the Ministry of Finance and got the separate head opened/ revived for R&D as recommended by the Standing Committee in its 20th Report. Budget of Rs.10 lakh has been provided in this head in the financial year 2021-22 by taking token supplementary. For the financial year 2022-23 an allocation of Rs. 10 lakh has been made under the scheme".

4.20 When asked regarding the steps taken to establish dedicated research institutions in the country which are exclusively devoted to promotion and research in fertilizer sector so that more innovative and eco-friendly fertilizer types could be developed indigenously and energy efficiency improvement of the fertilizer manufacturing plants could be achieved, the Department submitted in writing as below:

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

4.21 When asked whether token allocation of Rs. 10 Lakh is sufficient to meet the plans and targets for R&D in fertilizers sector at national level during 2022-23 and to convey the Research activities with specific targets which are proposed to be initiated by the DoF with this allocation, the Department replied as under:

"ICFFTR has awarded PDIL and RCF to undertake research projects on "Use of Phospho-gypsum for Production of Calcium Nitrate, Calcium Ammonium Nitrate and Sulphur Nutrient (Hydrometallurgy)", (ii) Rashtriya Chemicals & Fertilizers Limited) to undertake a research projects on (a) Development, Testing and Pilot Scale Production of Bio-stimulants and (b) Development, Testing and Pilot Scale Production of Organic Fertilizer. ICFFTR is initially funding to these projects from its own resources. These research studies are to be completed within 3 years.

Further, ICFFTR has not received any new research proposals for funding. Accordingly, no demand for funds has been raised by ICFFTR to this Department. Accordingly, no new projections were made. Further, if any new research proposals is received for funding, fresh demands shall be made in supplementary."

4.22 When it was further asked about the status and details of utilization of Rs. 10 lakh Grant-in-Aid (2021-22) for R&D, as on date, the Department in its written reply stated, "Rs. 10 lakh are to be used to promote Nano urea Expenditure as on 31.01.2022 is zero."

Initiatives to incentivize production of bio-fertilizers, compost, nano-fertilizers, etc.

4.23 During the course of evidence, the Department in its Power Point Presentation briefed the Members about the advantages of Nano-fertilizers and conveyed as under:-

"….. Nano urea has been developed. It reduces the input cost to the farmers. It improves the productivity and it is very easy to transport. It will reduce the import of the urea. We are also using the drone technology for the spray of liquid urea, that is the Nano urea. Based on the guidelines issued by the Department of Civil Aviation and Department of Agriculture, we are making separate guidelines for use of the drone technology for spray of the liquid fertilizers also which will be issued very soon. It will revolutionize the use of the spray of liquid fertilizers. It will also be useful for precise application of liquid fertilizers to the crop. It will reduce the input cost. It will also generate rural employment. These two efforts are the examples of Atmanirbhar Krishi and Atma nirbhar Bharat. I would like to give the background of the Nano urea. With the inspiration of hon. Prime Minister to reduce the use of chemical

fertilizers, especially urea, the Nano urea has been developed for the first time in the world at IFFCO and NBRC Centre at Kalol in Gujarat. The team of Indian scientists have invented this urea through a proprietary patented technology. It was notified in FCO-1985 on 24th February, 2021. The commercial production at IFFCO's Nano urea plant at Kalol started on 1st August, 2021. Till date, 2.40 Crore Nano urea bottles have been manufactured. Nano Urea contains Nitrogen Particles of 20-50 Nano metre size. This is very small in size and one conventional urea prill, the average thick of which is 2.8 mm, equals to 55,000 Nano Urea Particles in size. Nano Urea Particles have 10,000 times more surface area volume size ratio compared to the conventional urea. Since the surface area is increased substantially, Nano Urea which is applied on plant leaves gets absorbed through Stomata and other openings. It very effectively provides nutritional requirement to plants. It has immense benefit to the farmers. It reduces the input costs. Nano Urea bottle is Rs. 240 per 500 ML bottle, whereas the conventional subsidized urea is Rs. 266.5 per 45 Kg bag. If we take into amount the prices of both conventional subsidized urea and the Nano urea bottle, then one Nano urea bottle equals to 45 kg urea bag. A single Nano urea bottle will save Rs. 26.50. If we take into account the per hectare, the saving in input cost in cereals will be Rs. 67 per hectare. It not only saves the input costs, but it also increases the crop productivity. Researches have shown that the average productivity increase is around eight per cent, and therefore, it saves farmers to the tune of Rs. 5,000-Rs. 10,000 per hectare. It is very efficient to use because there is no wastage in application of Nano urea. Therefore, its efficacy is more than 80 per cent , whereas the conventional urea efficacy is only 30 per cent to 40 percent. It is very easy to transport. We have shown here that 20 Nano bottles can be carried to field in a bag, whereas 20 conventional urea bags require a tractor. Therefore, Nano urea can replace conventional urea by 50 per cent. Here, we have shown different types of applications of the liquid urea. Farmers can use Nano fertilizer with the help of knapsack spray or boom spray, or power spray and drone spray. The foliar application at critical stages of crop growth can be used with all these methods. Guidelines for the drone spray have been prepared and it will be issued very shortly. Hon. Prime Minister has also mentioned about the drone demonstration in Nano urea in `Mann ki Baat' on 24th October, 202. ….. IFFCO, Kalol plant has already begun the production. The total production capacity is five Crore bottle in a year. The commercial production started on 1st August, 2021. IFFCO, Phulpur, Aonla, Bengaluru will be coming in the production in 2022, 2023 and 2024. The technology has been transferred to the two Government PSUs, NFL and RCF. They are also setting up their Nano urea plants which will be operational in July, 2024 and March 2024 respectively. With all these eight plants, the total capacity by 2025 will be 44 Crore bottles per year. As a rough estimate, 44 Crore bottles will be equivalent to 44 Crore urea bags, around 200 LMT and it has the potential to reduce import of 90 LMT urea.
So, whatever Urea we are importing is likely to be replaced if these plants become operational and Nano becomes very popular among farmers.
Nano Urea, which is a next generation smart fertilizer has been indigenously developed. The farmers get benefited by using Nano Urea as it is environmentally very safe and beneficial. IFFCO and NBRC in Kalol are in the process of developing other versions of Nano fertilizer like Nano DAP, Nano Zinc and Nano Boron. These are at different stages of development.

Once the development process is complete, they will go for field testing. Finally, they will approach the Department of Agriculture for registration under FCO. These are the shinning examples of Atma Nirbhar Bharat. It will not only increase the farmer's income, but also reduce import dependence.

4.24 The Department on being asked to provide the details of present status and further initiatives being taken to incentivize production of bio-fertilizes, compost, nano-fertilizers, etc and initiatives taken to educate the farmers so as to increase their use throughout the country, replied in writing as follows:

"Ministry of Agriculture & Farmers Welfare, Government of India, has notified Nano Urea (Liquid) as a nano fertilizer under the Fertilizer Control Order (FCO) vide notification dated 24th February, 2021. Further, for promoting production of Nano fertilizers, two Central Public Sector Undertaking (CPSU) namely National Fertilizers Limited (NFL) and Rashtriya Chemicals and Fertilizers Limited (RCF), under administrative control of Department of Fertilizers, has signed Non Disclosure Agreement (NDA) & Memorandum of Understanding (MoU) with Indian Farmers Fertilizer Cooperative (IFFCO) to transfer the technology of Nano Urea from IFFCO. Further, IFFCO has been requested to transfer the technology of Nano urea to Brahmaputra Valley Fertilizers Company Limited (BVFCL) for free of cost.

In accordance with Department of Fertilizers' letter No. 12019/1/2017-FPP dated 10th August, 2021 and Directorate General of Foreign Trade (DGFT) notification No. 67/2015-20 dated 07th January, 2019, two NOCs were issued to Indian Farmers Fertilizer Cooperative Limited (IFFCO) to export 44064/- and 10,00,000/- bottles of Nano Urea(liquid) (Nano-Nitrogen) of 500 ml each respectively to Sri Lanka."

4.25 On being asked about the present status and long term initiatives chalked out to incentivize production of eco-friendly bio-fertilizers, compost, nano-fertilizers, etc. so as to encourage balanced use of fertilizers, DoF stated in a written reply as below:-

"Currently, there is no scheme to incentivize production of eco-friendly bio-fertilizers. Further, Nano fertilizers are cheaper than the conventional subsidized fertilizers and therefore, incentives from the Government may not be required for production of Nano fertilizers".

4.26 The Committee asked about the initiatives taken by DoF to educate the farmers so as to improve their knowledge and understanding on appropriate and balanced use of fertilizers as per crop and soil type in coordination with other concerned Departments and the State Governments. In this regard, DoF furnished in writing the following reply:-

"To reach out to the farmers, create awareness & educate them about the use of innovative Nano fertilizers, IFFCO has been undertaking awareness campaigns, crop seminars, promotional & educational programmes, mass and print media publicity & promotional efforts like farmers' testimonials and films in regional languages. IFFCO Nano Urea is being made available for sale through various platforms & marketing channel so as to increase overall reach of Nano fertilizers for the farmers. It is also available for sale on IFFCO's digital platform www.iffcobazar.in though e-commerce. For ease in application and utilization of Nano fertilizers like Nano Urea through foliar application, initiatives such as innovative spraying options like 'Kisan Drones' and distribution of battery operated Sprayers at retail points are being undertaken. For this purpose, pilot training and custom hiring spraying services through Village Level Entrepreneurs are being actively promoted."

4.27 Regarding the status of transfer of technology for production of Nano fertilizers to Brahmaputra Valley Fertilizers Company Limited (BVFCL) and other fertilizers Central Public Sector Undertakings (CPSU), the Department replied in writing as under:

"IFFCO has already commenced the commercial production of the world's first Nano Urea fertilizer at its Kalol Unit. IFFCO further intends to set up 09 additional facilities (05 plants for Nano Urea, 03 plants for Nano DAP and 01 plant for Nano Micronutrient) across the country in a phase wise manner in the next 12-22 months to increase the availability of Nano Fertilizers for the farmers. In addition to these projects, M/s RCF & M/s NFL are also planning to set up Nano Urea Plants based on IFFCO's technology in India. It seems that with the commissioning of these New plants, sufficient capacity of Nano fertilizers would be available in the country.

4.28 When the Committee further desired to know about the policy of the Department regarding transfer of nano urea technology to the private sector which could be a game changer in the world economy if it grew appropriately and the time period specified for the same, a representative of the Department stated as follows:

"…..IFFCO has transferred their technology to the PSUs in the first stage. But once this nano fertilizer gets stabilized and becomes very popular among the farmer community, they will definitely be transferring the technology to the private sector on royalty basis. They will transfer the technology and take royalty per bottle.

"…...We cannot commit at this stage because IFFCO has to decide that. The nano-fertilizer is launched just eight months ago. It takes at least two, three agricultural seasons to get stabilized. I myself have spoken to different private companies. They are not very sure at this stage to take the technology. They are saying that two, three years down the line they will think of. Or they may develop their own technology. Some fertilizer companies are developing their own nanotechnology also. But some may take it from IFFCO. So, it is too early to say anything on this.

4.29 When asked regarding the plans of the Department to convince the Ministry of Finance for creation of a separate Budget head to provide subsidy/ incentive for production and sale of Nano fertilizers by the PSUs/ private entity since they are said to be more efficient and eco- friendly for the benefit of the agriculture sector, the Department in its written reply stated as under:

"Nano fertilizers are cheaper than the conventional subsidized fertilizers and therefore, subsidies from the Government may not be required for production of Nano fertilizers. Hence, requirement of separate budget head to provide subsidy /Incentive for production and sale of Nano fertilizers is not envisaged".

4.30 During the course of evidence on Demands for Grants 2022-23, when the Committee desired to know about the targets and aims to expand drone technology as many farmers are suffering due to poisoning because of fertilizers and pesticides as it may generate rural employment also, a representative of the Department stated as follows:

"We are issuing our guidelines on drone technology. Our guidelines are very limited. So far as specifications, licensing and all are concerned, they are covered under the drone policy issued by the Department of Civil Aviation. The detailed specification and everything are covered in the drone policy issued by the Department of Agriculture. But our policy is mainly focusing on village entrepreneurs. The policy will be issued very soon. It is just in the process of publication. I think it is getting published. We will give you a copy also. Under that policy, the fertilizer companies will train the rural entrepreneurs for using the drones for spray of the liquid fertilizer and they will do the handholding and support from outside to the village entrepreneurs and they will decide their charges on mutually negotiated basis.

<u>SUPPLY AND DISTRIBUTION OF FERTILIZERS</u>

4.31 During the course of oral evidence, when the Committee pointed out that on one hand the Department is claiming that there is no shortage of fertilizers on the other hand there is news regarding farmers committing suicide in UP due to non-availability of fertilizers, a representative of the Department replied as follows:

"A little bit problem was there but we managed it. ….. We could successfully manage it. The only point is that earlier it used to be 30 per cent more than the requirement which used to be in the pipeline. During this last Rabi, there was a problem in having that quantities in the pipeline. We have more than two lakh retailers. That is why I was telling that our responsibility is to make it available at the red points. Afterwards, from the district level up to the retailers, it is the responsibility of the State and the Department of Agriculture to make it available wherever farmers require it. Farmers may be requiring it at different points of time.

4.32 In this regard, when the Committee pointed out and expressed concern about Urea being sold in black market at Rs. 400 or Rs. 500 per bag and desired to know about the steps being taken by the Department to check the mis-management, a representative of the Department replied, "We have taken steps with regard to top 20 buyers…. As I said, that is State Government's prerogative".

4.33 The Committee further pointed out that even though Rs. 1.2 lakh Crore subsidy which is nearly 3 to 4 per cent of our budget is being provided to fertilizers, at the grass-root level the famers are not able to get fertilizers on need basis, especially in the village as the dealer there is applying arm twisting tactics, in a way that if urea is required, the farmer needs to buy other products manufactured by some particular company. The Committee, therefore, desired to know if any audit is done on the market department of the companies to stop the arm twisting tactics and unfair trade practices to sell other products which are not under subsidy. In reply, the Secretary to the Department of Fertilizers stated as under:

> "Legally they cannot compel the beneficiary or the farmer to take their other product along with the urea. ….. If there is a specific complaint against a dealer, we will take action".

4.34 The Department when asked regarding the targets fixed for installation of PoS devices at the Retail/ Wholesale points throughout the country so that the sale of fertilizers could be made compulsory through AADHAR authentication only so as to avoid any pilferage, replied in writing as under:

> "It is submitted that vide MoM dated 08.02.2022, all LFS have been instructed to cater to the additional PoS devices demand of States/UTs at the earliest for hassle free sale of fertilizers to the farmers. As reported by States/ UTs, additional PoS device requirement is 28778. At present, every sale through PoS device is authenticated by Aadhar only (except in J&K, Assam where KCC and Voter ID is admissible)".

4.35 During the course of oral evidence, when the Committee pointed out regarding the increase in consumption of fertilizers, especially of Urea and about the need to create awareness and tie-up the purchase of fertilizers by the farmers with the Soil Health Cards which may decrease its consumption on a very large scale as they are using more than necessary for years; the representatives of the Department replied as follows:

> "…..the question put forth by the Chair about Urea is a very tricky one. Urea is a very sensitive fertilizer in the country. The farmers are very sensitive about the price of Urea also. As them subsidized rate of Urea is only Rs. 266.5 per 45 kg. bag. So, it is the cheapest fertilizer available in the country. ….. it is given to the farmers on no-denial basis. So far, we have not put any restriction. …..I am now posted in Fertilizers, but earlier I was in Agriculture Ministry and I was the Joint Secretary looking after the Soil Health Card Scheme. As rightly said by our Secretary, Soil Health Card is not a compulsory thing for a farmer to produce when he goes for purchase of fertilizers at the stores. Secondly, it is a misnomer that if one uses Soil Health Card, then the fertilizer consumption will be reduced".

In this regard, the Committee observed that a re-look needs to be given to the Soil Health card scheme to promote balanced use of fertilizers.

PART-II

OBSERVATIONS AND RECOMMENDATIONS

Recommendation No.1: Inadequate Budgetary Allocation in Budget Estimates for 2022-23

The Committee note that a budgetary allocation of Rs.109242.23 Crore has been made in respect of Demand No.6 pertaining toDepartment of Fertilizers for the year 2022-23. This allocation has been made against the projected demand of Rs.176760.59/- Crore of the Department to meet the requirements for its various schemes and policies. In this regard, the Committee are dismayed to note that the cut in BE allocation is by Rs.67518.36/- Crore which amounts to 38 % of the projected requirements of the Department. According to the Department of Fertilizers, allocated amount is not sufficient to meet the projected requirement of subsidy funds for the year 2022-23 and the requirement for additional funds will be re-assessed and demanded at the time of RE/Supplementary for 2022-23 depending on the prices of raw materials and fertilizers. However, the expenditure before RE stage is done on the basis of BE allocation only. RE is mostly finalized by December every year and the same is regularized through 2nd batch of supplementary demands for grants. Hence, the funds approved at RE stage mostly reaches the Department during the last quarter of the financial year only. During 2021-22, an allocation of Rs.84041.39 Crore was made at BE stage which was increased to Rs.149663.28 Crore at RE stage which was about 78% increase over the BE. As a result of such late infusion of funds, the Department of Fertilizers was able to spend only Rs.117675.14 Crore as on 31 January, 2022. In view of the above, the Committee feel that the gap between the projected requirement for 2022-23 and the budgetary allocation may eventually result in delayed payment/ settlement of claims in respect of both Urea and P&K fertilizers subsidies and will thereby adversely affect the financial performance of the fertilizer sector as a whole. Taking this situation into consideration, the Committee recommended earlier also that Ministry of Finance be convinced at the highest level to declare the Department of Fertilizers as a "Priority Department" so that the fund requirements of the Department may be met

without any cut. Drastic reduction of funds at BE stage will upset the expenditure planning for the whole year and the substantial allocation of fund at RE stage for subsidy payment reflects the poor planning by both the Ministry of Finance and the Department of Fertilizers. The Committee, therefore, recommend that Department of Fertilizers should strengthen its budgetary planning process and come out with accurate demand for funds so as to convince the Ministry of Finance to allocate funds as per its requirements at BE stage itself without any cuts for its subsidy schemes. Considering the importance of providing fertilizers to the farmers at subsidized rates, the Ministry of Finance should accord priority status to this Department and strive to allocate the funds required by the Department at BE stage itself which will facilitate timely and optimum utilization of funds by the Department and will eventually give boost to the agriculture sector in the country. The sentiments expressed by this Committee may also be conveyed to the Ministry of Finance for its compliance. The Committee would like to be apprised of the progress made in this regard.

<u>Recommendation No.2: Timely placement of proposals for allocation at RE 2022-23</u>

The Committee are concerned to note that the Department has been allocated Rs. 42000 Crore in BE 2022-23 against the budgetary proposal of Rs. 72702 Crore for Nutrient Based subsidy (NBS) scheme. In respect of urea subsidy, the Department has been allocated Rs. 67202.42 Crore in BE 2022-23 against its requirement of Rs. 104016.64 Crore for the year. Further, the BE allocation for 2022-23 in respect of urea subsidy is 21% lower than the Revised Estimates of 2021-22 and there is a 35 percent decrease in NBS subsidy this time when compared to RE of 2021-22. In regard to the reasons for reduction of budgetary allocation at BE stage of 2022-23 and its adequacy in meeting fund requirements of urea and NBS subsidy schemes, the Department of Fertilizers has stated that the Ministry of Finance allocated the funds as per the priorities of the Government and financial space available. Actual requirement of funds will depend on the prevailing prices of some fertilizers and raw materials in the market. However, if the need arises, it will request the Ministry of Finance to allocate additional funds at RE 2022-23 stage and in the Supplementary Demands for Grants during 2022-23. Keeping

in view the trend of the previous years, the Committee are of the view that the budgetary allocation at BE stage of 2022-23 may not be adequate to meet the entire fund requirements under Urea and NBS subsidy Schemes. The Committee, therefore, recommend that the Department of Fertilizers should calculate the fund requirement for the whole year and place its proposal timely before the Ministry of Finance for making additional allocations in RE 2022-23 so as to meet its projected requirements under Urea and NBS subsidy Schemes both for indigenous and imported fertilizers during the year. The Committee would like to be apprised of the measures taken in this regard.

<u>Recommendation No.3: Need to dismantle Carry-over liabilities</u>

The Committee are concerned to note that the estimated carry-over liabilities (COL) for payment of subsidy during 2021-22 in respect of indigenous and imported urea will be Rs. 6000 Crore and Rs. 12300 Crore, respectively and in respect of indigenous and imported P&K fertilizers the same will be Rs.1300 Crore and Rs. 2073 Crore, respectively. A total of Rs.21673 Crore is likely to be accumulated as COL in respect of indigenous and imported Urea and P&K fertilizers by the end of 2021-22. In this regard, Department of Fertilizer has stated that it has requested for grant of Rs. 6000 Crore under 3rd supplementary grant to meet Indigenous Urea funds requirement in Quarter-IV of 2021-22 and if the supplementary is not granted, anticipated carry-over liability of Rs. 6000 Crore would be settled in FY2022-23. The Department has also requested the Ministry of Finance to provide additional funds under 3rd Supplementary grant to clear COL in respect of imported urea. However, COL in respect of Indigenous P&K and Imported P&K are likely to be completely cleared from the available budget (RE 2021-22) by the end of March 2022. The Committee deplore the tendency of the Department of Fertilizers to accumulate carry over liabilities year-after-year. This tendency clearly shows the lack of proper planning in its budgetary process. In this regard, the Committee recommend that a concrete mechanism should be developed by the Department of Fertilizers to accurately estimate the RE stage fund requirements for the payment of subsidies in respect of both indigenous and imported fertilizers taking into account various factors including international price situation and place an accurate demand with the

Ministry of Finance for fund allocation at RE stage so that the Department may timely utilize the entire RE allocation for the payment of subsidies without any COL by the end of a financial year. A copy of this recommendation may also be sent to Ministry of Finance for its compliance while deciding RE allocations for the Department of Fertilizers.

Recommendation No.4: Need for diversification of sources of Imports of fertilizers, etc.

The Committee note with concern that over the last two financial years the subsidy towards indigenously manufactured fertilizers has decreased and subsidy portion towards imported fertilizers has increased. According to the Department of Fertilizers, the Country is dependent on imports of Phosphatic fertilizers upto 90% and for Potassic Fertilizers upto 100% either in the form of finished fertilizers or their raw material due to non-availability/scarce availability of raw materials in our country. The Committee was also apprised that nearly 25-30 per cent Urea is imported every year. Since P&K fertilizers is decontrolled under the NBS scheme, all P&K fertilizers are covered under Open General License (OGL) regime and are imported by the companies on commercially viable terms. The Committee noted with concern that the international prices of fertilizers as well as raw materials are constantly increasing during the last 1 ½ years due to geo-political situations, etc. making the import of raw material as well as NPK fertilizers particularly DAP very costly to import. As such, it leads to a huge expenditure on subsidy for maintaining the same quantity of supply. The Committee also learnt that last year the price of Urea has gone up from $300 per metric tonne in January, 2021 to around $1,000 per metric tonne in December, 2021. The situation may continue the current year as well thereby compelling the Department to approach the Ministry of Finance for more funds at the time of Supplementary Demands. Since the international price situation may continuously increase the subsidy budget of the Government, the Committee recommend the following to address the situation:-

i) **In order to cushion the effects of fluctuations in international prices of fertilizers and raw materials, the Department should take**

proactive steps in coordination with the Ministry of External Affairs and others concerned with result oriented approach to diversify the import sources through signing of long term agreements by our PSUs and other companies for joint ventures abroad for obtaining regular supply of various fertilizers and its raw materials at reasonable prices.

ii) Since P&K fertilizers are covered under Open General License (OGL) regime and are imported by the companies on commercially viable terms a mechanism may be drawn to constantly monitor the international prices and for maintaining sufficient buffer stock of various fertilizers so as to off-set the effects of sudden price fluctuations in the international market.

iii) Department of Fertilizers should expedite the discussions with Ministry of Mines, Geological Survey of India, Minerals Exploration Corporations Limited and Projects & Development India Limited on exploration of minerals for raw materials for DAP and other fertilizers in our country itself and start the exploration process at the earliest so as to reduce the dependence on other countries in case of availability of these minerals in our country itself.

Above recommendations of the Committee may be conveyed to the Ministry of Finance, Ministry of External Affairs, Ministry of Mines and others concerned for their compliance. The Committee would like to be apprised of the action taken in the matter.

<u>Recommendation No.5: Promotion of SSP and Potash Derived from Molasses</u>

The Committee is glad to learn that Single Super Phosphate (SSP) fertilizer is 100% manufactured indigenously in our country and that Potash derived from Molasses(PDM) has been included under NBS scheme to promote indigenous source of fertilizers. According to the Department of Fertilizers, the country has 111 manufacturing units of SSP and the total production of SSP during the rabi season of 2020-21 and 2021-22 was 23.66 LMT and 21.53 LMT, respectively. Farmers use two bags of SSP with 20 kilograms of urea to substitute one bag of DAP. It was also learnt that last year the Government of Rajasthan had issued order that the usage of SSP in

place of DAP should be made the standard practice as SSP is very cost effective and is thus known as the poor man's DAP. The Committee is also pleased to note that the Department of Fertilizers is planning to include SSP in the freight subsidy scheme to facilitate its availability in other States as well. However, the usage of SSP industry is limited to some States where it is mainly produced. The Committee therefore, strongly recommend that the Department may vigorously promote setting up of SSP and PDM manufacturing units throughout the country even through Public Private Partnership mode to increase their production capacity so that they are abundantly available in the country. This may also support balanced fertilization, save precious foreign exchange and decrease our import dependence in respect of NPK fertilizers in the long run. In view of the increase in the international prices of the NPK fertilizers, the Committee hope that the Department of Fertilizers will accord top priority in promotion of SSP and PDM in the country and apprise the Committee about the action taken by it in the matter.

<u>Recommendation No.6: Need for continuance of Urea Subsidy scheme</u>

The Committee note that for sustained agricultural growth it is imperative that Urea is made available to farmers at affordable prices and therefore urea is being sold to farmers at statutorily notified uniform MRP. The difference between the delivered cost of urea at farm gate and net market realization by the urea units is given as subsidy to the urea manufacturer/importer by the Government of India. The Department of Fertilizers has submitted the proposal for continuation of Urea Subsidy Scheme for 5-year period from 2021-22 to 2025-26 for the appraisal of Expenditure Finance Committee(EFC) on 2nd August, 2021. However, EFC recommended that Urea Subsidy Scheme as per the present proposal may be continued for one year till 31.03.2022. EFC also inter alia recommended that it may also be examined if urea can be brought under Nutrient Based Subsidy Scheme and it may be ensured that nitrogen subsidy under urea subsidy policy as well as under Nutrient Based Subsidy (NBS) policy should be at par. However, "Third Party Evaluation" conducted on Urea Subsidy has recommended that there is necessity for continuation of the urea subsidy scheme to help the urea industries, farmers and the agriculture sector as it has a great impact on agricultural sector in

increasing crop yield and reducing the expenditure of farmers for cultivation. The Committee feel that Urea is a very sensitive fertilizer in the country as it is used by most of the farmers and it has lead to green revolution in the country. Moreover, the Maximum Retail Price of urea is statutorily fixed by the Government whereas the market price of P & K fertilizers covered under NBS Scheme are determined by market forces based on demand/supply balance. The Committee, therefore, recommend that the Department of Fertilizers should make wide consultations with all stake holders including the farmers on the feasibility of bringing urea under NBS Scheme, the extent to which it would affect the interests of farmers, its impact on agricultural production, etc. before arriving at a considered decision in this regard. Hence, the Ministry of Finance and EFC may be requested to extend the present urea subsidy scheme beyond 31 March, 2022 as recommended in the Third Party Evaluation Report. This recommendation may also be shared with the Ministry of Finance for its consideration. Progress made in the matter may be intimated to the Committee.

<u>Recommendation No.7: Research and Development (R&D) activities in Fertilizers Sector</u>

The Committee note that the Ministry of Finance opened/ revived a separate head for R&D for the Department of Fertilizers on the basis of the recommendation made by the Committee in 20th Report (Demands for Grants 2021-22). A budget of Rs.10 lakh was provided under this head for the financial year 2021-22 by taking token supplementary. For the financial year 2022-23, an allocation of Rs. 10 lakh has been made under the head. The Committee is however, distressed to note that the utilization of Rs. 10 lakh Grant-in-Aid (2021-22) for the promotion of R & D in Nano urea is zero when information was furnished to the Committee. Department has also not done any R&D activities in fertilizers sector for development of higher efficiency eco-friendly fertilizer products. According to the Department of Fertilizers, Indian Council for Fertilizer & Fertilizer Nutrient Research (ICFFTR) has been constituted by fertilizer CPSEs under Department of Fertilizers with the objective to undertake research in the area of fertilizer and fertilizer manufacturing technology, use of raw material and innovation in fertilizer products. It is also learnt that ICFFTR

has not received any new research proposals for funding. Accordingly, no demand for funds has been raised by ICFFTR to the Department of Fertilizers. So no new projections were made. Further, if any new research proposal is received for funding, fresh demands shall be made by the Department in supplementary demand for grants. The Committee are not satisfied with the half-hearted initiatives of the Department to promote R&D in the fertilizers sector and feel that promotion of R & D in the fertilizer sector is very much essential to attain self-sufficiency in the sector. The Committee, therefore, strongly recommend that

(i) R&D in the area of fertilizers and fertilizer manufacturing technology and innovation in fertilizer products should be encouraged wholeheartedly with the backing of suitable budgetary allocation for the same.

(ii) R&D in fertilizer technology may be encouraged to develop more efficient fertilizers by diversifying the product basket to include indigenous varieties of Nano fertilizers (Urea/ P&K/ micro nutrients), bio-fertilizers, organic fertilizers, compost, bio-stimulants, etc) which may be shared among the fertilizer PSUs.

(iii) The Department may identify Common Research Projects (4-5 each year) with Public Private Partnership (PPP Mode) making focused and integrated efforts with suitable budgetary support for development of new innovative efficient fertilizers and obtain patent for the same which may in the long run facilitate the country to save precious foreign exchange and be a net exporter of fertilizers.

(iv) ICFFTR may be promoted as a dedicated national research institution exclusively devoted to promotion and research in fertilizer sector for development of innovative fertilizer products and development of indigenous technology for improving energy efficiency in the fertilizer manufacturing plants.

Recommendation No.8: Necessity for formulation of a new scheme for providing Market development Assistance for production of Organic and bio-fertilizers

The Committee note that the scheme for promotion of City Compost which was launched in 2016 under Swachh Bharat Mission whereby Market Development Assistance was being given to promote its use has been discontinued as per recommendations of Expenditure Finance Committee (EFC) after 30th September, 2021. The Committee was apprised that the EFC in its review regarding continuation of the scheme during 2021-22 to 2025-26 observed that it is a very small scheme and since there are similar schemes in other Departments with larger budget and better field presence, promotion of city compost scheme should be discontinued . The Committee however, desires that to promote the eco friendly natural fertilizers there is an immediate need for introducing a new scheme by enlarging the scope of the assistance for promoting production and use of organic and bio-fertilizers which are manufactured in rural areas are also covered under Fertilizer Control Order (FCO). The Committee feel that MSMEs and big fertilizers companies be both involved and the manufacture and marketing of organic and bio-fertilizers be based on the aggregator model wherein the big companies act as aggregators and they take these products from the MSMEs. A specific production target be fixed for grant of Market development assistance. This shall in the long run make eco-friendly fertilizers easily available locally at cheaper rates to the farmers and also be eco-friendly to the soil and environment. The Committee, therefore, strongly recommend that the Department of Fertilizers should draft a new scheme in a time bound manner with wider scope for providing Market development Assistance for production and use of Organic and bio-fertilizers covered under FCO and place the same for the approval of Expenditure Finance Committee and to seek sufficient budget for the same in the near future. This recommendation may also be shared with the Ministry of Finance for its compliance.

Recommendation No.9: Need for timely availability of fertilizers to farmers and to stop unfair trade practices

The Committee are concerned to note that the farmers at village level are not able to get required quantum of fertilizers during peak agricultural seasons despite of provision of Rs. 1.2 lakh crore budget on fertilizers subsidy. There are reports that retailers ask the farmers to buy other products manufactured by a particular company along with subsidized fertilizers. The Committee also noted with concern that on one hand the Department is claiming that there is no shortage of fertilizers while on the other hand there are news regarding the non-availability of fertilizers to the farmers. There are also reports that Urea is being sold in black market at higher prices due to mis-management at the local level. The Committee desire that even though distribution of fertilizers at the local levels is the prerogative of the State Governments, sincere efforts must be made by the Department for streamlining, strengthening and improving the functioning of retail network system in the States/ UTs so as to check the menace of black marketing, hoarding, artificial shortages and to ensure quality of fertilizers. The Committee, therefore, recommend that:-

- **(i) States/UTs shall be requested to take all the steps for ensuring timely availability of required quantum of fertilizers to the farmers particularly during peak seasons of cultivation of crops and no farmer should be deprived of subsidised fertilizers.**
- **(ii) Fool proof measures should be taken by the State/UT Governments to check the menace of black marketing, hoarding, artificial shortages, etc.**
- **(iii) The Department in coordination with all concerned Ministries/ State Governments/ Departments/ agencies should chalk out a frame-work for regular audit of the sales of subsidized fertilizers at the Company, Wholesaler and Retailer level as empowered under the Fertilizer Control Order (FCO), 1985 so as to check unfair practices, if any at various levels. In case any mal-practice is noticed during the audit, prompt necessary action may be taken against the concerned person which benefit the agriculture sector in the long run.**

(iv) **The Department must ensure prompt installation of PoS devices at the Retail/ Wholesale points throughout the country so that the sale of fertilizers could be made compulsory through AADHAR authentication or through KCC and Voter ID is admissible. The iFMS Dash-Board system may also be further strengthened to stop any pilferage and monitor the stocks and availability at each level.**

The sentiments expressed by this Committee may be conveyed to the all concerned Ministry/ State Governments/ Departments/ agencies for their compliance. The Committee would like to be apprised of the action taken in the matter.

Recommendation No.10: Need to strengthen the Soil Health Card Scheme for balanced use of fertilizers.

The Committee are concerned to note that the initiatives to educate the farmers about the appropriate and balanced use of fertilizers as per crop and soil type are not adequate. According to the Department of Fertilizers, **urea is a very sensitive fertilizer in the country and is being provided to the farmers at a subsidized rate of Rs. 266.5 per 45 kg. per bag on no-denial basis. Farmers tend to use some fertilizers particularly Urea more than the requirement and it leads to imbalanced use of fertilizers which affects the soil health in the long run. So there is a need to create awareness among farmers about the judicious and balanced use of fertilizers as per the prescription in Soil Health Cards. The Committee are not convinced by the submission made by the Department that it is a misnomer that if one uses Soil Health Card, then the fertilizer consumption will be reduced. As the imbalanced use of chemical fertilizers result in deterioration of the soil health and affects the eco-system, the Committee strongly recommend the following:-**

i) **A re-look needs be given to the Soil Health Card scheme in coordination with the Ministry of Agriculture, State Governments and other agencies so that it effectively helps to promote the balanced use of fertilizers in a target**

oriented manner and to monitor the percentage use of various chemical fertilizers in each region regularly.

ii) **Soil testing and mapping of each region of the country may be done on priority basis;**

iii) **It may be examined whether the sale of fertilizers may be made as per the recommendations of the soil health card so as to ensure application of fertilizers according to requirements of particular soil.**

iv) **The Department of Fertilizers should in coordination with all concerned Ministries/ State Governments /fertilizers companies/ other agencies chalk out monthly target oriented programmes for the education of farmers on the benefits of balanced use of fertilizers.**

This recommendation may be conveyed to the all concerned Ministris/ State Governments/ other concerned agencies for their compliance. The Committee would like to be apprised of the action taken in the matter.

Recommendation No.11: Need to promote Nano fertilizers

The Committee note the submission of Department of Fertilizers that IFFCO has indigenously developed Nano urea which is a next generation smart efficient fertilizer which apart from reducing input cost is environmentally very safe and beneficial. IFFCO is also in process of developing other versions of Nano fertilizers like Nano DAP, Nano Zinc and Nano Boron which are at different stages of development and field testing. According to Department of Fertilizers, these are the shining examples of Atma Nirbhar Bharat as it will not only increase the farmer's income, but also reduce import dependence and is very easy to transport. Commercial production at IFFCO's Nano urea plant at Kalol, Gujarat was started on 1st August, 2021and 2.40 crore Nano urea bottles were manufactured when this information was furnished to the Committee. It is also noted that in terms of efficacy 1 Nano Urea bottle is equivalent to a 45 kg Urea bag. The cost of Nano Urea bottle is Rs. 240 per 500 ML bottle whereas that of conventional subsidized urea is Rs. 266.5 per 45 Kg bag. Since Nano fertilizers are cheaper than the conventional subsidized fertilizers, no subsidies from the Government may be required for

production of Nano fertilizers. As researches have shown that the average crop productivity increase is around eight per cent, it saves farmers to the tune of Rs. 5,000-Rs. 10,000 per hectare. Moreover, the efficacy of nano fertilizer is more than 80 percent, whereas that of the conventional urea efficacy is only 30 per cent to 40 per cent. Nano urea has the potential to replace conventional urea by 50 per cent. IFFCO is in the process of setting up of more plants. Further the technology has been transferred to two Government PSUs viz. NFL and RCF and they are also setting up their Nano urea plants which will be operational in July, 2024 and March 2024 respectively. With the commissioning of these plants, the total capacity of production of nano fertilizers will be 44 crore bottles per year which will be equivalent to 44 crore urea bags, around 200 LMT and it has the potential to reduce import of 90 LMT urea. Further, there are possibilities to transfer the technology to the private sector on royalty basis once this nano fertilizer gets stabilized and becomes very popular among the farmer community. The Committee was also informed that requirement of separate budget head to provide subsidy /Incentive for production and sale of Nano fertilizers is not envisaged. Since the nano fertilizers are cost effective, eco-friendly, easy to transport, improve crop productivity and have potential to save Government's subsidy spending to a large extent, the Committee would like to recommend the following:-

i) Department of Fertilizers may encourage research and development of various nano fertilizers by public and private companies and may consider financial assistance in this regard.

ii) Department of Fertilizers may consider providing subsidy on nano fertilizers to make them very cheap and attractive to the farmers.

iii) Since the use of this smart fertilizer will remove our import dependency in the long run, incentives may be considered for production and sale of Nano fertilizers by the PSUs/ private entities.

iv) A strong awareness campaign may be initiated amongst the farmers to educate them about the features of nano fertilizers.

v) Initially the nano fertilizers may be tagged with the sale of conventional fertilizers to popularize them among the farmers.

vi) **Since use of Nano fertilizers can be a game changer in the sector, the Department may encourage transfer of Nano technology to the other fertilizer PSU's and to the private fertilizer companies so as to maximize its production capacity which shall enable the country not only to meet its own requirement but also to be a net exporter.**

vii) **The Department of Fertilizers may frame the Guidelines regarding application of drone technology for foliar application of Nano fertilizers on priority basis in coordination with the Ministry of Agriculture, Department of Civil Aviation seeking inputs from the fertilizer manufacturing companies, farmers and the village entrepreneurs, etc. so as to provide training and other facilities for its convenient and efficient application.**

The Committee would like to be apprised of the action taken in the matter.

<u>Recommendation No.12: Interest free loan to HURL (Hindustan Urvarak & Rasayan Limited)</u>

The Committee was glad to note that CCEA on 01.08.2018 approved interest free loan (IFL) of Rs. 1257.82 Crore equivalent to interest during construction (IDC) component to HURL projects (Sindri, Gorakhpur and Barauni). During the financial year 2020-21, 813.24 Crore was released to HURL as 1st installment. The Committee noted with concern that BE and RE for HURL during the year 2021-22 under the Capital Section was Rs. 444.58 Crore. But the Actual Expenditure for the same was Nil as on 31.01.02022. The Committee also learnt that while processing the disbursement of 2nd installment it was noted that IDC was approved by CCEA for the period not exceeding 36 months from the zero date. However, HURL had raised demand of IFL equivalent to interest calculated for the period of 36months from the date of drawl of first instalment of loan from Bankers. As approved by CCEA, the Department restricted the IFL equivalent to IDC for the period of 36 months from the zero date and accordingly an amount of Rs.81.56 Crore was released to HURL as 2nd and final instalment of IFL and unutilized amount of

Rs. 363.02 Crore was surrendered. In this regard, the Committee would like to recommend the following:-

i) **It is a matter of concern that the Department of Fertilizer and the Ministry of Finance did not properly study the terms fixed by CCEA at the time of approval of loan before preparation of budget estimates for 2021-22 and this has led to unnecessary locking of Rs.363.02 Crore for about a year which would have been resourcefully used for other purposes. The Committee hope that the Department would be more careful while preparing the proposals for budgetary allocation so as to avoid unnecessary locking of scarce resources.**

ii) **Matter regarding interest free loan including the issue of date of calculation of interest may be relooked and the possibilities of release of balance loan amount to HURL may be explored so that it is helpful in timely revival of urea manufacturing plants. The Committee would like to be apprised of the action taken in the matter.**

New Delhi;
16 March, 2022
25 Phalguna, 1943 (Saka)

KANIMOZHI KARUNANIDHI
Chairperson,
Standing Committee on
Chemicals and Fertilizers.

APPENDIX I

STANDING COMMITTEE ON CHEMICALS & FERTILIZERS

(2021-22)

Minutes of the Fourth Sitting of the Committee

The Committee sat on Thursday, the 24th February, 2022 from 1530 hrs. to 1700 hrs. in Committee Room No.1, Parliament House Annexe Extension Building, New Delhi.

PRESENT

Ms Kanimozhi Karunanidhi- Chairperson

MEMBERS

LOK SABHA

2. Shri Prataprao Patil Chikhlikar
3. Shri Satyadev Pachauri
4. Shri Arun Kumar Sagar
5. Dr. Sanjeev Kumar Singari
6. Shri Pradeep Kumar Singh
7. Shri Uday Pratap Singh
8. Shri Indra Hang Subba

RAJYA SABHA

9. Shri Ayodhya Rami Reddy Alla
10. Shri G. C. Chandrashekhar
11. Dr. Anil Jain
12. Shri Arun Singh
13. Shri Vijay Pal Singh Tomar

SECRETARIAT

1.	Shri Vinod Kumar Tripathi		Joint Secretary
2.	Shri Nabin Kumar Jha	-	Director
3.	Shri C. Kalyanasundaram	-	Additional Director
4.	Shri Kulvinder Singh	-	Deputy Secretary

5.	Shri Panna Lal	-	Under Secretary

WITNESSES

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

1.	Shri Rajesh Kumar Chaturvedi	Secretary (F)
2.	Shri Satendra Singh	Addl. Secy. & FA
3.	Smt. Neeraja Adidam	Joint Secretary
4.	Smt. Aparna S. Sharma	Joint Secretary
5.	Shri Niranjan Lal	Director
6.	Shri Padam Sing Patil	Director
7.	Dr. Tina Soni	Director
8.	Shri K. Gurumurthy	Director

II. PSU's/ OTHER INSTITUTIONS

1.	Shri S.C. Mudgerikar,	CMD, RCF

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

3. After the witnesses introduced themselves, the Secretary of the Department made power point presentation to the Committee regarding salient features of the Demands for Grants 2022-23 pertaining to the Department of Fertilizers.

4. The power point presentation was followed by discussion on several aspects of Demands for Grants 2022-23 of the Department. During the discussion, the Hon'ble Chairperson and Members of the Committee raised questions on several issues such as:-

(i) Reasons for decrease in subsidy towards indigenously manufactured fertilizers.
(ii) Reasons for increase in subsidy for imported fertilizers.
(iii) Reasons for decrease in BE allocation of 2022-23 for Urea subsidy and Nutrient Based Subsidy as compared to RE 2021-22.
(iv) Need to strengthen the Soil Health Card Scheme so as to ensure

balanced use of fertilizers.

(v) Promotion of production and use of Nano fertilizers and to remove the bottlenecks, if any relating to its application/spray, etc.

(vi) Measures taken by the Department of Fertilizers for achieving self-reliance in fertilizers sector and to make the fertilizer industry competitive.

(vii) Need for audit of sales of subsidized fertilizers to remove unfair trade practices, if any.

(viii) Need for transfer of Nano fertilizer technology to PSUs and Private Sector companies so as to maximize production capacity.

(ix) Need to revive the City Compost scheme by increasing its scope to include organic fertilizers, bio-fertilizers, etc.

(x) Need to take measures to remove shortage of fertilizers in various regions of the country.

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

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

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

The Committee then adjourned.

APPENDIX II

STANDING COMMITTEE ON CHEMICALS & FERTILIZERS
(2021-22)

Minutes of the Sixth Sitting of the Committee

The Committee sat on Wednesday, the 16th March, 2022 from 1500 hrs. to 1545 hrs. in Committee Room 'C', Parliament House Annexe, New Delhi.

PRESENT

SHRI ARUN SINGH- Chairperson (Acting)

MEMBERS

LOK SABHA

2. Shri Ramakant Bhargava
3. Shri Rajeshbhai Naranbhai Chudasama
4. Shri Ramesh Chandappa Jigajinagi
5. Shri Satyadev Pachauri
6. Smt Aparupa Poddar (Afrin Ali)
7. Dr. M.K.Vishnu Prasad
8. Dr. Sanjeev Kumar Singari
9. Shri Uday Pratap Singh
10. Shri Indra Hang Subba

RAJYA SABHA

11. Shri Ayodhya Rami Reddy Alla
12. Shri G.C.Chandrashekhar
13. Shri Jaiprakash Nishad
14. Shri Vijay Pal Singh Tomar
15. Shri K. Vanlalvena

SECRETARIAT

1.	Shri Vinod Kumar Tripathi	-	Joint Secretary
2.	Shri Nabin Kumar Jha	-	Director
3.	Shri C. Kalyanasundaram	-	Additional Director
4.	Shri Kulvinder Singh	-	Deputy Secretary
5.	Shri Panna Lal	-	Under Secretary

2. Since the Chairperson of the Committee was unable to attend the sitting, the Committee chose Shri Arun Singh, MP to act as Chairperson for the sitting under Rule 258(3) of Rules of Procedure and Conduct of Business in Lok Sabha.

3. Thereafter the acting Chairperson welcomed the Members of the Committee to the sitting which was convened to consider and adopt four draft Reports. The

Committee, then, took up for consideration and adoption of the following draft Reports:

(i)	xxx	xxx	xxx	xxx
(ii)	Demands for Grants 2022-23 of the Ministry of Chemicals and Fertilizers (Department of Fertilizers);			
(iii)	xxx	xxx	xxx	xxx
(iv)	xxx	xxx	xxx	xxx

4. The Committee considered and adopted the Reports unanimously without any amendment.

5. The Committee then authorized the Chairperson to finalise the Reports and present them during the current session of the Parliament.

The Committee then adjourned