

**GOVERNMENT OF INDIA**  
**MINISTRY OF CHEMICALS AND FERTILIZERS**  
**RAJYA SABHA**  
**QUESTION NO 12.11.2010**  
**ANSWERED ON**  
**NUTRIENT BASED SUBSIDY FOR FERTILIZERS .**

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SHRI M.V. MYSURA REDDEY

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

- (a) the reasons for the Ministry opposing the Finance Ministry's fertilizer subsidy proposal of Nutrient Based Subsidy (NBS);
- (b) whether the Ministry feels that the proposed NBS would affect the small and marginal farmers; and
- (c) if so, the details thereof?

**ANSWER**

MINISTER OF STATE IN THE MINISTRY OF CHEMICALS AND FERTILIZERS

(SHRI SRIKANT KUMAR JENA)

(a) to (c) A statement is laid on the table of the House.

STATEMENT REFERRED TO IN REPLY TO PARTS (a) TO (c) OF RAJYA SABHA STARRED QUESTION NO. 79 TO BE ANSWERED ON 12.11.2010 REGARDING NUTRIENT BASED SUBSIDY FOR FERTILIZERS ASKED BY SHRI M.V. MYSURA REDDY.

(a) to (c): In pursuance of the Hon`ble Finance Minister`s Budget Speech 2009 and 2010, the Government has introduced Nutrient Based Subsidy Policy for decontrolled P & K fertilizers w.e.f. 1.4.2010 (w.e.f. 1.5.2010 for SSP). The basic features of this policy is as per Annexure-I.

As per the Nutrient Based Subsidy Policy, the decontrolled P & K fertilizers

(DAP, MOP, NPK complexes, MAP, TSP, Ammonium Sulphate and SSP) are provided to the farmers at a price, which is lower than the actual cost of the fertilizers. The farmers have to pay approximately 35-40% of the actual cost of the fertilizers. The difference between the normative cost and the price at which farmers buy the fertilizer is reimbursed to the manufacturers/importers of fertilizers by the Government in the form of subsidy. Accordingly, the small and marginal farmers are also taking benefit of the scheme by purchasing the fertilizers available at the affordable prices. A statement showing the normative cost of fertilizers, subsidy and the present price of decontrolled P & K fertilizers is at Annexure – II. ANNEXURE – I

Note on Nutrient Based Subsidy Policy In the context of the Nation`s food security, the declining response of agricultural productivity to increased fertilizer usage in the Country and to ensure the balanced application of fertilizers, the Government introduced the Nutrient Based Subsidy

(NBS) Policy w.e.f. 1.4.2010 for decontrolled Phosphatic and Potassic (P&K) fertilizers (w.e.f. 1.5.2010 for SSP). The details of Nutrient Based Subsidy Policy are as under:

(i)NBS is applicable for Di Ammonium Phosphate (DAP, 18-46-0), Muriate of Potash (MOP), Mono Ammonium Phosphate (MAP, 11-52-0), Triple Super Phosphate (TSP, 0-46-0), 12 grades of complex fertilizers and Ammonium Sulphate (AS - (Caprolactum grade by GSFC and FACT), which were covered under the earlier Concession Scheme for Phosphatic and Potassic (P&K) fertilizers up to 31st March 2010 and Single Super Phosphate (SSP). Primary nutrients, namely Nitrogen `N`, Phosphate `P` and Potash `K` and nutrient Sulphur `S` contained in the fertilizers mentioned above are eligible for NBS.

(ii)Any variant of the fertilizers mentioned above with secondary and micronutrients (except Sulphur `S`), as provided for under FCO, is also eligible for subsidy. The secondary and micro-nutrients (except `S`) in such fertilizers attracts a separate per tonne subsidy to encourage their application along with primary nutrients.

(iii) An Inter-Ministerial Committee (IMC) has been constituted with Secretary

(Fertilizers) as Chairperson and Joint Secretary level representatives of Department of Agriculture & Cooperation (DAC), Department of Expenditure (DOE), Planning Commission and Department of Agricultural Research and Education (DARE). This Committee recommends per nutrient subsidy for `N`, `P`, `K` and `S` before the start of the financial year for decision by the Government (Department of Fertilizers). The IMC also recommends a per tonne additional subsidy on fortified subsidized fertilizers carrying secondary (other than `S`) and micro-nutrients. The Committee considers and recommends inclusion of new fertilizers under the subsidy regime based on application of manufacturers/ importers and its need appraisal by the Indian Council for Agricultural Research (ICAR), for decision by the Government.

(iv) NBS to be paid annually on each nutrient namely, `N`, `P`, `K` and `S` has been decided by the Government for 2010-11 on recommendation of IMC. For 2010-11, per kg NBS and per tonne NBS for each subsidized fertilizer w.e.f 1st April 2010 has been announced.

(v) Distribution and movement of fertilizers along with import of finished fertilizers, fertilizer inputs and production by indigenous units continues to be monitored through the online web based `Fertilizer Monitoring System

(FMS)` as being done under the outgoing Concession Scheme for P&K fertilizers.

(vi) 20% of the price decontrolled fertilizers produced/imported in India is now in the movement control under the Essential Commodities Act 1955

(ECA). Department of Fertilizers will regulate the movement of these fertilizers to bridge the supplies in under-served areas.

(vii) In addition to NBS, freight for the movement and distribution of the decontrolled fertilizers by rail and road is being provided to enable wider availability of fertilizers in the country.

(viii) Import of all the subsidized P&K fertilizers, including 13 grades of complex fertilizers has been placed under Open General License (OGL). Earlier, no concession was available for imported complex fertilizers. Now, NBS is available for imported complex fertilizers also. However, subsidy will not be applicable on imported Ammonium Sulphate (AS), as NBS is applicable only to Ammonium Sulphate produced by FACT and GSFC, both Public Sector entities. Import of Urea is canalized during the first phase of NBS Policy and Urea continues under Government control. MRP of Urea has been increased by 10% w.e.f. 1.4.2010 and is Rs. 5310 PMT.

(ix) Though the market price of subsidized fertilizers, except Urea is determined based on demand-supply balance, the fertilizer companies are required to print Maximum Retail Price (MRP) along with applicable subsidy on the fertilizer bags clearly. Any sale above the printed net MRP is punishable under the EC Act.

(x)Manufacturers of customized fertilizers and mixture fertilizers are eligible to source subsidized fertilizers from the manufacturers/ importers after their receipt in the districts as inputs for manufacturing customized fertilizers and mixture fertilizers for agricultural purpose. There is no separate subsidy on sale of customized fertilizers and mixture fertilizers.

(xi)A separate additional subsidy is provided to the indigenous manufacturers producing complex fertilizers using Naphtha based captive Ammonia to compensate for the higher cost of production of `N`. However, this will be for a maximum period of two years during which the units will have to convert to gas or use imported Ammonia. The quantum of additional subsidy will be finalized by Department of Fertilizers in consultation with DOE, based on study and recommendations by the Tariff Commission.

(xii)The NBS is being released through the industry during the first phase. The payment of NBS to the manufacturers/importers of DAP/MOP/Complex Fertilizers/ MAP/TSP, SSP and AS is released as per the procedure notified by the Department.

2.The payment of subsidy for SSP is contingent on the manufacturer/marketer certifying that `Quality Certified` stamp has been put on each bag of SSP. The State Government in which the SSP units are located are required to certify the quality of the SSP produced by the plant located in the State. The Nutrient Based Subsidy for SSP is provided to those eligible SSP units only, which have either annual capacity utilization of at least 50% or annual production of 40,000 MTs of SSP. Projects & Development India Limited (PDIL), a PSU under Department of Fertilizers having technical expertise, is employed to carry out inspection of SSP units at Six monthly intervals. PDIL carry out inspection with regard to quality, input-output, consumption, efficiency, preparedness of laboratory and other technical parameters to ascertain quality of SSP. The Department is also planning to employ an accredited agency for third party inspection of SSP quality and retail prices at the production site as well as at the whole sale/retail points. The SSP units have entered into an MOU with the Department of Fertilizers undertaking to ensure the quality of the SSP and sale of SSP as per MRP fixed by them and informed to the Department.

3.Farm gate Prices of decontrolled P & K fertilizers under Nutrient Based Subsidy: For 2010-11, subsidy for the nutrients `N`, `P`, `K` & `S` has been fixed by the Department in such a manner that the farm gate prices of non-urea fertilizers are as far as possible, near the erstwhile MRP so that the farmers are not adversely affected. The companies have fixed their MRP w.e.f. 1.4.2010 for P&K fertilizers. However, only an increase of Rs. 30 per bag has taken place in the MRP, which prevailed before Nutrient Based Subsidy policy for DAP, MAP, TSP and NPKS. MRP of MOP has remained same whereas MRP of Ammonium Sulphate and SSP has decreased.

4.Per Kg value of nutrients `N`, `P`, `K` & `S` The Department of Fertilizers has announced the per Kg value of nutrients `N`, `P`, `K` & `S` and subsidy per MT of fertilizers under the Nutrient Based Subsidy as well as per MT additional subsidy on fortified subsidized fertilizers carrying secondary and micronutrients w.e.f. 1.4.2010 for 2010-11 are as follows:

(i). Nutrient Based Subsidy Per Kilo Gram of Nutrients (in Rs.)

Sl. No. Nutrients NBS per Kg of nutrient

1. `N` 23.227

2. `P` 26.276

3. `K` 24.487

4. `S` 1.784

(ii).Per MT Nutrient Based Subsidy

Fertilizers Nutrient Based Subsidy per (MT (Rs.)

DAP 16268

MAP 16219

TSP 12087

MOP 14692

16-20-0-13 9203

20-20-0-13 10133

23-23-0-0 11386

10-26-26-0 15521

12-32-16-0 15114

14-28-14-0 14037

14-35-14-0 15877

15-15-15-0 11099

20-20-0-0 9901

28-28-0-0 13861

17-17-17-0 12578

19-19-19-0 14058

16-16-16-0 11838 (w.e.f. 1.7.2010

inducted into NBS on

6.8.2010)

Ammonium Sulphate 5195

SSP 4400

(iii):Per MT additional subsidy for fortified fertilizers with secondary and micro-nutrients as per FCO:

Sl. No.	Nutrients for	Additional subsidy
	fortification as	per MT of fortified
	per FCO	fertilizers (Rs.)

1. Boron `Bn` 300

2. Zinc `Zn` 500

5. In pursuance of the decisions taken under the Nutrient Based Subsidy Policy, additional compensation for cost of captive ammonia produced through Naphtha/Furnace Oil/LSHS for a period of two years, have been given to M/s The Fertilizers and Chemicals Tranvancore Ltd. (FACT), Cochin, M/s Madras Fertilizers Ltd. (MFL), Manali and M/s Gujarat Narmada Valley Fertilizers Company Ltd.

(GNVFC), Bharuch as follows

ANNEXURE- II

MRP/Concession under the Nutrient Based Subsidy:

Fertilizer MRP under Nutrient Nutrient Based Cost MRP / Cost X 100

Based Subsidy per Subsidy per (MRP % of Cost) %

Tonne tonne

1	2	3	4	5
DAP		9950	16268	26218 38.95
MAP		9950	16219	26169 38.02
MOP	4455-5055		14692	19747 25.60
TSP		8050	12087	20137 39.97
SSP		3200	4400	7600 42.10
NPKS	5721-8785		9203-15887	24672 35.60

Complexes

Note: The farmer has to pay the price equivalent to the % of the Cost as mentioned in column 5.