GOVERNMENT OF INDIA
MINISTRY OF CHEMICALS AND FERTILIZERS
DEPARTMENT OF FERTILIZERS

RAJYA SABHA

UNSTARRED QUESTION **NO. 667** TO BE ANSWERED ON **: 13.12.2022**

Fertilizer subsidy

667. SHRI A. D. SINGH

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

(a) the manner in which subsidy on P&K fertilizers is determined under 'Nutrient Based Subsidy' (NBS) which came in force from 1.4.2010;
(b) whether the subsidy is same for each company for products like DAP, MOP, NPK or it varies from company to company;
(c) in what manner the earlier policy which expired on 31.3.2010 was different from the new policy effective from 1.4.2010;
(d) the meaning of terms "Industry average" and "outlier" used in subsidy circulars; and
(e) whether it is a fact that recovery under 'outlier principle' was made from a company only when its price was lower?

ANSWER

MINISTER OF STATE FOR CHEMICALS & FERTILIZERS
(SHRI BHAGWANTH KHUBA)

(a) : Sir, Under the NBS policy, an Inter-Ministerial Committee (IMC) with Secretary (Fertilizers) as Chairperson and Joint Secretary level representatives from Department of Agriculture and Farmers Welfare (DA&FW), Department of Expenditure (DOE), NITI Aayog and Department of Agricultural Research and Education (DARE) has been constituted which recommends NBS rates for various nutrients i. e. N, P, K and S for taking the decision by the Government.

The basic principle adopted in fixation of subsidy rates for different nutrients is the identification of 'International Import Prices' of major consumed fertilizers i.e. Urea, DAP, MOP and Sulphur considering the annual / biannual average/current prices published in various fertilizers magazines. Based on these import prices, the delivered prices of these fertilizers are determined after taking into account the prevailing exchange rate. The IMC also considers other relevant factors like requirement of nutrients in the country, balanced use of fertilizers, subsidy burden, MRP of fertilizers etc. while recommending the subsidy rates for different nutrients.

(b) : Yes Sir, the subsidy is same for each company for products like DAP, MOP and NPK.

(c) : Sir, under the concession scheme which was applicable upto 31.3.2010, the Maximum Retail Prices(MRPs) of the decontrolled P&K fertilizers were fixed by the Government. Under the Nutrient Based Subsidy Policy which came into effect from 1.4.2010 a fixed amount of subsidy, decided on annual/semi-annual basis, is provided on subsidized P&K fertilizers depending on their nutrient content and MRP is fixed by fertilizer companies as per market dynamics at reasonable level which is monitored by the Government.

(d) : Sir, copies of circulars dealing with Industry average and Outliers are **enclosed.**

(e) : Sir, no recovery under 'outlier principle' has been made by Government of India, thus the question does not exist.

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Enclsoer-I

No. 5-1/2007-Shipping II MPR
Government of India
Ministry of Chemicals & Fertilizers
Department of Fertilizers

Shastri Bhawan an, New Delhi, the 11th July 2008

To

I. Chief Secretaries! All Agriculture Production Commissioners/ Secretaries (Agriculture)
2. Directors, Directorate of Agriculture of the State Governments

Subject: Continuation of Concession Scheme on decontrolled Phosphatic & Potassic (P&K) fertilizers with effect from 1" April 2008 — regarding.

Madam/Sir,

In continuation of this Department letter No. 5-1/2007-Shipping II-MPR dated 12th September 2007 conveying continuation of the Concession Scheme on decontrolled Phosphatic & Potassic (P&K) fertilizers for 2007-08, No. 12012/512008-FPP dated 17th June 2008 conveying revised MRPs of P& K Fertilizers, No. 22011/ 6/2008 MPR dated 27th June 2008 announcing base rates of concession for P&K fertilizers and 30th June 2008 notifying MRPs and base rates of Ammonium Sulphate and Triple Super Phosphate, I am directed to convey the decision of the Government of India to continue the Concession Scheme on decontrolled P & K fertilizers with effect from 1" April 2008 till further orders with the following policy.

2. The Maximum Retail Prices (MRPs) of decontrolled P & K fertilizers covered under the Concession Scheme will be as per the details given below:

Products	MRP w.e.f. 1st April 2008 up to 17th June	MRP w.e.f. 18' June 2008
DAP	9350	9350
MAP	9350	9350
MOP	4455	4455
Grades of Complex Fertilizers — N: P: K: S		
16:20:00:13	7100	5875
20:20:0:13	7280	6295
20:20:00:00	7280	5343
23:23:00:00	8000	6145
28:28:00:00	9080	7481
10:26:26:00	8360	7197
12:32:16:00	8480	7637
14:28:14:00	8300	7050
14:35:14:00	8660	8185
15:15:15:00	6980	5121
17:17:17:00	8100	5804
19:19:19:00	8300	6487

3) Final concession rates will be worked out on monthly basis w.e. f 1" April 2008 taking into account prices adopted as detailed below.

4) Monthly concession for imported MOP and imported and indigenously granulated MAP will be based on average of the low and the high C&F prices for the preceding month published in the Fertilizer Market Bulletin (FMB) - FSU fob plus Baltic freight for MOP and Baltic fob plus Baltic freight for MAP or the actual weighted average of the landed prices for the current month, whichever is lower.

5) Monthly concession for imported DAP will be based on the average of low and high prices of DAP published in FMB and Ferticon from US Gulf fob, plus Tampa-Mundra freight, for the previous month or the actual weighted average of the landed price for the current month. whichever is lower.

6) Monthly concession for indigenous DAP will be same as that given to imported DAP.

7) Per unit price of 'P' for monthly concession for complex fertilizers will be derived from the delivered cost of DAP and imported Ammonia under the Concession Scheme.

8) Per unit price of 'N' for monthly concession for complex fertilizers will be based on individual unit-wise cost of 'N' as considered by the Tariff Commission up to 31" March 2010. Thereafter, i.e.. w.e.f. 1" April 2010, unit-wise or group-wise price of 'N' as recommended by the Tariff Commission (based on usage of feed stock, namely gas. naphtha, imported urea/ammonia and imported ammonia), whichever is lower, will be recognized.

9) Per unit price of 'K' for monthly concession for complex fertilizers will be based on the C&F cash price of MOP, as recognized for the concession scheme for MOP.

10) A separate cost of 'S' for sulphur containing complex fertilizers will be recognized based on the price of imported sulphur.

11) Group-wise *Other costs' as recommended by Tariff Commission will be recognized for monthly concession for complex fertilizers. For IFFCO Paradeep, 'Other Cost' will also include separate cost of investment/ revamping, as calculated by Tariff Commission.

12) Decision on cost of freight for distribution of all fertilizers including under Transport Subsidy Scheme for difficult areas will be conveyed separately.

13) Government of India has decided to include indigenous and imported TSP (0-46-0) under the Concession Scheme for decontrolled Phosphatic and Potassic

Fertilizers w.e.f. I" April 2008 with MRP of Rs, 7460 per MT and indigenous Ammonium Sulphate (20.6-0-0-23) w.e.f. 1" July 2008 with MRP of Rs. 10350 per MT.

14) Monthly concession for indigenous and imported TSP will be based on the average of low and high fob prices of TSP published in FMB plus freight for the previous month or the actual weighted average of the landed price for the current month, whichever is lower.

15) Monthly concession for indigenous AS will be computed in line with other complex fertilizers based on the individual unit-wise cost of 'N' of the respective units (GSFC, Baroda & FACT, Udyogmandel) up to 31" March 2010. Thereafter, i.e., w.e.f. 1st April 2010, unit-wise or group-wise price of 'N' (based on usage of feed stock, namely gas and naphtha). whichever is lower, will be recognized. Escalation/de-escalation in the cost of sulphur will be as applicable to sulphur containing complex fertilizers.

16) Concession payable for MAP (11-52-00) and TSP (0-46-0) will be capped to that payable for DAP. Further, import of MAP and TSP on Government account, if any, would be within the overall ceiling for imported DAP in a year as decided from time to time to the extent of shortfall in availability of DAP.

17) The average of the low and the high C&F prices of Ammonia (cfr India), Sulphur (cfr India) and Prilled Urea (Arabian Gulf fob) for the preceding month published in the Fertilizer Market Bulletin (FMB) or actual weighted average landed price for the current month purchased by the P&K manufacturers' importers will be adopted for monthly concession for complex fertilizers. Price of naphtha purchased by the Fertilizers & Chemicals Travancore Limited (FACT) during the current month will be adopted for working out the cost of 'N' for naphtha based Complex fertilizers. Price of natural gas (APM) as per the current month will be adopted for working out the cost of 'N` for gas based Complex fertilizers.

18) The input fertilizer prices for the Concession Scheme will be derived on the basis of an 'outlier methodology. Accordingly, the weighted C&F price of various raw-material/intermediates/finished fertilizers (landed at Indian ports in the relevant month) for computation of monthly concession will be adopted by excluding the outlier(s). Prices, which are less than 5% or US $ 30 per MT of the Industry average', whichever is lower, will be excluded while computing the 'industry average'. The *outlier' will be provided a separate treatment whereby the difference between 'outlier' price and the Industry average' will be shared in the ratio of 65:35 between the 'outlier' and the Government respectively. The `outlier' methodology will also be applicable to all long-term contracts including all existing long-term contracts such as Ammonia Off-Take Agreement (AOTA) of with OMIFCO w.e.f. 1st April 2008.

19) The Buffer Stocking Scheme for 3.5 lakh MT of DAP and I lakh MT of MOP well 1st April 2008 will be continued.

20) State Governments/ Union Territory Governments are requested to ensure that the manufacturers and importers of P & K fertilizers are not allowed to sell the decontrolled P & K fertilizers at rates more than the MRPs indicated above in paragraphs 2 & 13 above.

21) This issues with the concurrence of the Internal Finance Division of Department of Fertilizers vide their dairy no. 1328108.'AS&FA dated 7th July 2008.

Yours faithfully,

(H. Abbas)
Deputy Secretary to the Government of India
Tel No. + 11- 2338 3814

Copy forwarded to:

1. Secretary (Agriculture), Department of Agriculture & Cooperation, Krishi Bhawan,
New Delhi.
2. Secretary (Expenditure), Department of Expenditure. North Block, New Delhi.
3. Joint Secretary (IM), Department of Agriculture & Cooperation, Krishi Bhawan, New Delhi.
4. Joint Secretor: (PF 11). Department of Expenditure. North Block, New Delhi.
5. Director(Cabinet)Cabinet Secretariat, Rashtrapati Bhawan,New Delhi.
6. Executive Director, FICC, Department of Fertilizers, New Delhi
7. Director of Accounts, Department of Fertilizers Udyog Bhawan. New Delhi — to update MRP under the FMS and take necessary action for payment as per the policy.
8. Deputy Secretary (Finance), Department of Fertilizers. Nev. Delhi
9. Director General, FA1, New Delhi
10. All the manufacturers & importers of P&K fertilizers.

(H. Abbas)
Deputy Secretary to the Government of India

Copy also to:

PS to Minister (C. F & S)/ Sr. PPS to Secretary (Fertilizers)/ AS&FA/ JS (P&P)/JS (F&P)/ JS (A&M)/ Economic Advisor/ Controller of Accounts. PAO/ US/ AD (Concession Wing)/ Sr., AD (Accounts) FA Wing/ AD (OL for translation in Hindi)/ Guard File/ Technical Director NIC for uploading the same on the Department's website.

Copy also to:

Ms. Vini Mahajan, Joint Secretary, Prime Minister's Office South Block. New Delhi

Encloser-II

F. No. 22011/4/2009-MPR
Government of India
Ministry of Chemicals & Fertilizers
Department of Fertilizers

Shastri Bhawan, New Delhi, the 7th July 2009

To

1. Chief Secretaries/ All Agriculture Production Commissioners/ Secretaries (Agriculture)
2. Directors, Directorate of Agriculture of the State Governments/ U.Ts.

Subject:- Modification in certain elements of the Concession Scheme on decontrolled Phosphatic & Potassic (P&K) fertilizers with effect from 1st April 2009 — regarding,

Madam/Sir,

In continuation of this Department letter No. 5-112007-Shipping IIMPR dated 11th July 2008 conveying continuation of the Concession Scheme on decontrolled Phosphatic & Potassic (P&K) fertilizers with effect from 1st April 2008, I am directed to convey that the Government has approved modifications in certain elements of the Concession Scheme with effect from 1st April 2009. Accordingly, the policy for Concession Scheme for P&K fertilizers (except SSP) w.e.f 1st April 2009 will be as follows:

2) The Maximum Retail Prices (MRPs) of decontrolled P & K fertilizers covered under the Concession Scheme will be as per the details given below:

Products	MRP w.e.f. 18th June 2008
DAP	9350
MAP	9350
MOP	4455
TSP	7460
16:20:00:13	5875
20:20:0:13	6295
20:20:00:00	5343
23:23:00:00	6145
28:28:00:00	7481
10:26:26:00	7197
12:32:16:00	7637
14:28:14:00	7050
14:35:14:00	8185
15:15:15:00	5121
17:17:17:00	5804
19:19:19:00	6487
Ammonium Sulphate	10350

Final concession rates will be worked out on monthly basis w.e.f 1st April 2009 taking into account prices adopted as detailed below.

4. Monthly concession for imported Di-Ammonium Phosphate (DAP) will be based on the average of low and high prices of DAP published in Fertilizer market Bulletin (FMB) from and Fertecon from US Gulf fob, plus Tampa-Mundra/India West Coast freight for the month preceding the last month or the actual weighted average of the landed price for the current month, whichever is lower.

5. Monthly concession for indigenous DAP will be same as that given to imported DAP.

6. Monthly concession for indigenous and imported TSP will be based on the average of low and high fob prices of TSP published in the FMB plus freight for the month preceding the last month or the actual weighted average of the landed price for the current month, whichever is lower.

7. Monthly concession for imported MOP and imported and indigenously granulated MAP will be based on average of the low and the high C&F prices of the month preceding the last month published in the Fertilizer Market Bulletin (FMB) — FSU fob plus Baltic freight for MOP and Baltic fob plus Baltic freight for MAP or the actual weighted average of the landed prices of the current month, whichever is lower.

8. Per unit price of `P' for monthly concession for complex fertilizers will be derived from the delivered cost of DAP and imported Ammonia under the Concession Scheme.

9. Per unit price of 'N' for monthly concession for complex fertilizers will be based on Group-wise cost of 'N' (based on usage of feed stock, namely gas, naphtha, imported urea/ammonia and imported ammonia), as adopted by the Government based on the recommendation of the Tariff Commission.

10. Per unit price of 'K' for monthly concession for complex fertilizers will be based on the C&F cash price of MOP, as recognized for the concession scheme for MOP.

11. Per unit cost of 'S' for sulphur containing complex fertilizers will be recognized based on the price of imported sulphur.

12. Group-wise 'Other costs' as adopted by the Government based on the recommendation of the Tariff Commission will be recognized for monthly concession for complex fertilizers. For IFFCO Paradeep, 'Other Cost' will also include separate cost of investment/revamping, as adopted by the Government based on the calculation of the Tariff Commission.

13. Freight will be, reimbursed as per the. Uniform Freight Subsidy on actual basis.

14. Concession payabte for MAP (11-52-00) and TSP (0-46-0) will be capped to that payable for DAP. Further, import of MAP and TSP on Government account, if so decided, would be within the overall ceiling for imported DAP in a year as decided from time to time to the extent of shortfall in availability of DAP.

15. The average of the low and the high C&F prices of Ammonia (cfr India), Sulphur (Cfr India) and Prilled Urea (Arabian Gulf fob) for the preceding month published in the fertilizer Market Bulletin (FMB) or actual weighted average landed price for the current

month purchased by the P&K manufacturers/ Importer, whichever is lower, will be adopted for monthly concession for complex fertilizers. Price of Naptha purchased by the fertilizers & Chemical Travancore Limited (FACT) during the current month will be adopted for working out the cost of 'N' for Naptha based complex fertilizers. Price of natural gas (APM) as per the current month will be adopted for working for working out the cost of 'N' for gas based complex fertilizers.

16. The input / fertilizer prices for the Concession Scheme will be derived on the basis of an 'outlier' methodology. Accordingly, the weighted CAF price of various raw-materials/intermediates/finished fertilizers (landed at Indian ports in the relevant month) for computation of monthly concession will be adopted by excluding the outlier(s). Prices, which are less than 5% or US $ 30 per MT of the 'industry average', whichever is lower, will be excluded while computing the 'industry average', The 'outlier' will be provided a separate treatment whereby the difference between 'outlier' price and the 'industry average' will be shared in the ratio of 65:35 between the 'outlier' and the Government respectively. The 'outlier' methodology will also be applicable to all long-term contracts including all existing long-term contracts such as Ammonia Off-Take Agreement- (ROTA) of IFFCO with OMIFCO w.e.f lst April 2008.

17. Monthly weighted average landed prices of finished fertilizers and fertilizer inputs are computed by the Department based on the documents provided by the importers such as Bill of Lading and Bill of Entry including customs paid on quantity and value of the imports, Importers are required to disclose net quantity and value, net of any off-invoice transactions.

18. Updation in the factor of escalation/ de-escalation in the nutrient price for complex fertilizers w.e.f 1st April 2009 will be carried out in consultation with the Department of Expenditure, Ministry of Finance after the Tariff Commission's recommendation is received.

19. Payment procedure will be as implemented by the Department vide letter no, 19011/59/2003-MPR (pt) dated 12 March 2009 for supplies of fertilizers w.e.f 1st December 2008 on the basis of arrival/ receipt of fertilizers in the districts and certificate of receipt by the State Government and sale of fertilizers by the company certified by their statutory auditor.

20. The buffer stocking Scheme for 3.5 lakh MT of DAP and 1 Lakh MT of MOP w.e.f 1st April 2009 will be continued.

21. State Governments / Union Territory Governments are requested to ensure that the manufacturers and importers of P & K fertilizers are not allowed to sell the decontrolled P & K fertilizers at rates more than the MRPs indicated above in paragraphs 2 above.

22. This issues with the concurrence of the Internal Finance Division of Department of Fertilizers vide their dairy no. 2254/IFD/09 dated 7th July 2009.

Yours faithfully,

Sd/-

(H. Abbas)
Deputy Secretary to the Government of India
Tel. No. + 11- 2338 3814

Copy forwarded to:

1. Secretary (Agriculture), Department of Agriculture & Cooperation, Krishi Bhawan, New Delhi.

2. Secretary (Expenditure), Department of Expenditure, North Block, New Delhi,

3. Joint Secretary (INM), Department of Agriculture & Cooperation, Krishi Bhawan, New Delhi.

4. Joint Secretary (PF Ii), Department of Expenditure, North

Block, New Delhi.

5. Director (Cabinet), Cabinet Secretariat, Rashtrapati Bhawan, New Delhi.

6. Executive Director, FICC, Department of Fertilizers, New Delhi

7. Director of Accounts, Department of Fertilizers, Udyog Bhawan, New Delhi — to update MRP under the FMS and take necessary action for payment as per the policy.

8. Deputy Secretary (Finance), Department of Fertilizers, New Delhi

9. Director General, FAI, New Delhi

10. All the manufacturers & importers of P&K fertilizers.

Sd/-

(H. Abbas)
Deputy Secretary to the Government of India

Copy also to:

PS to Minister (C&F)/ Sr, PPS to Secretary (Fertilizers)/ AS&FA/ JS (P&P)/ JS (F&P)/ JS (A&M)/ Economic Advisor/ Controller of Accounts/ PAO/ US-AD (Concession Wing)! Sr. AD (Accounts) FA Wing/ AD (OL for translation in Hindi)/ Guard File/ Technical Director, NIC for uploading the same on the Department's website.

Copy also to: Ms. Vini Mahajan, Joint Secretary, Prime Minister's Office, South Block, New Delhi

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